



LOW-INCOME ENERGY NETWORK

Rising energy costs, conservation and low-income consumers

March 29, 2006

Presentation to Ontario Power Authority Board

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Presentation overview

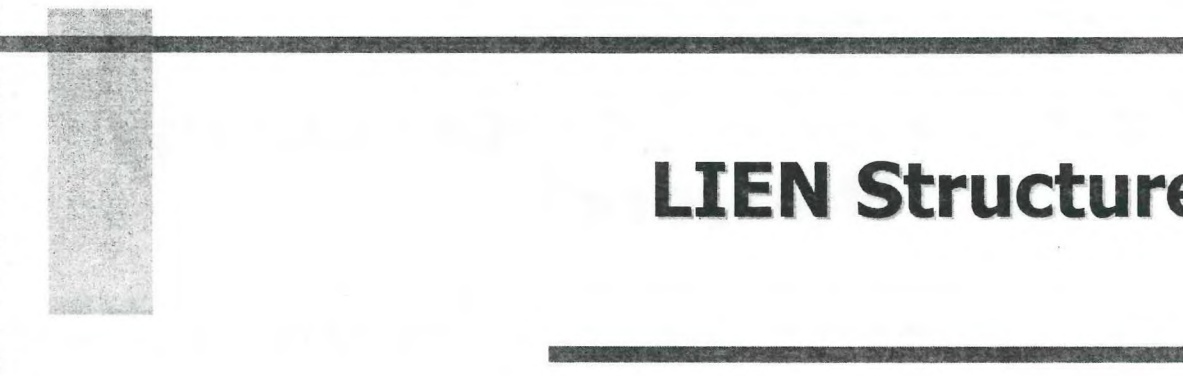
1. Low-income Energy Network (LIEN)
2. Rising energy prices
3. Low-income energy burden
4. Energy conservation and low-income consumers
5. Barriers to energy conservation
6. Helping low-income consumers
7. OPA's role and low-income consumers



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What is the Low-Income Energy Network?

- ◆ Formed in 2004, LIEN is a network of anti-poverty, affordable housing, environmental and social justice groups
- ◆ LIEN now has over 50 member organizations, as well as individual and corporate supporters
- ◆ We seek to address and raise awareness of energy poverty through:
 - outreach to community groups;
 - outreach to the public, e.g. through the media;
 - participating in OEB hearings and legislative processes;
 - working with policy-makers and local utilities to develop workable solutions.



LIEN Structure

- ◆ LIEN is directed by a steering committee representing:
 - Advocacy Center for Tenants Ontario, Canadian Environmental Law Association, Centre for Equality Rights in Accommodation, Income Security Advocacy Centre, Share the Warmth Toronto Disaster Relief Committee, Toronto Environmental Alliance
- ◆ works on a consensus basis
- ◆ recently hired a full-time coordinator, with funding from the Ontario Trillium Foundation

How LIEN got its start (1)



- ◆ Environmental, anti-poverty and affordable housing advocacy groups already working independently on energy issues
 - ACTO addressing impact of security deposit requirements on low-income consumers' access to electricity services
 - Following October 30, 2003 announcement of electricity rate cap review, ACTO, ISAC, SPC-Toronto comment to Minister of Energy on impact of higher electricity prices on low-income consumers
 - Canadian Environmental Law Association, with IndECO and in consultation with ACTO, submits report - *DSM for low-income consumers* - to Ontario Energy Board's consultation on Demand Side Management (conservation)

How LIEN got its start (2)



- ◆ Environmental, anti-poverty and affordable housing advocacy groups already working independently on energy issues
 - Share the Warmth, in partnership with social service agencies and participating local utilities, provides direct financial assistance to low-income consumers in energy crisis and facing disconnection
 - CELA and TEA bring proposals to provincial government on environmentally sustainable solutions to the energy crisis, (with focus on conservation, energy efficiency and renewable energy sources)

How LIEN got its start (3)

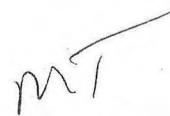


- ◆ Realization of the need to work together and develop a shared response to energy crisis.
- ◆ First meeting on March 10, 2004 of what becomes the Low-Income Energy Network:
 - CELA, Share the Warmth, ACTO, ISAC, CSPC-Toronto, TDRC and TEA
- ◆ Focus together on March 29th media event to highlight impact of impending April 1st electricity price hike on low-income households and to propose positive solutions

How LIEN got its start (4)



- ◆ Following March 29th media conference, LIEN founding members agree to continue to work together on low-income consumer issues
- ◆ LIEN drafts Mission Statement, sets up interim steering committee to direct LIEN activities and continues to recruit supporting members



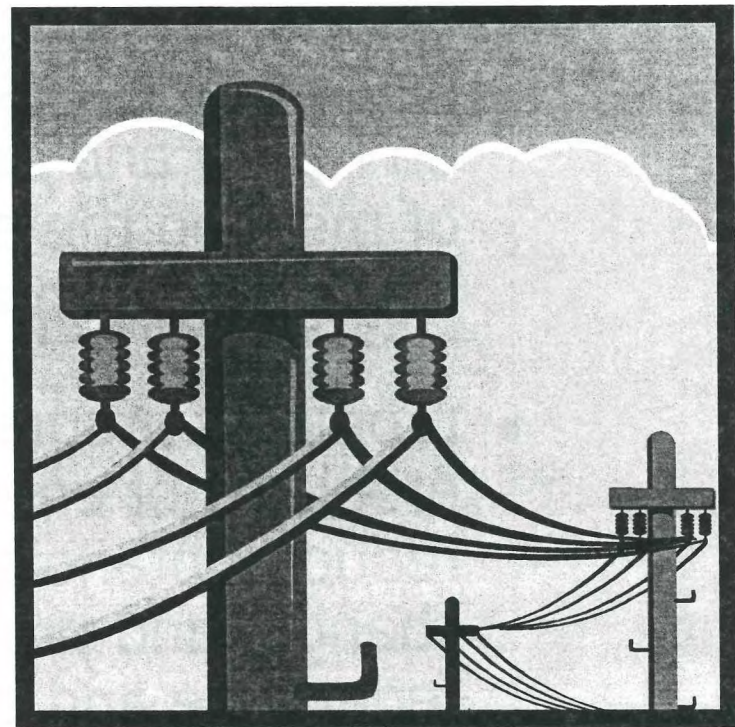
LIEN Mission Statement

The Low-Income Energy Network:

- aims to ensure universal access to adequate energy as a basic necessity, while minimizing the impacts on health and on the local and global environment of meeting the essential energy and conservation needs of all Ontarians.
- promotes programs and policies which tackle the problems of energy poverty and homelessness, reduce Ontario's contribution to smog and climate change, and promote a healthy economy through renewable and energy efficient technologies.

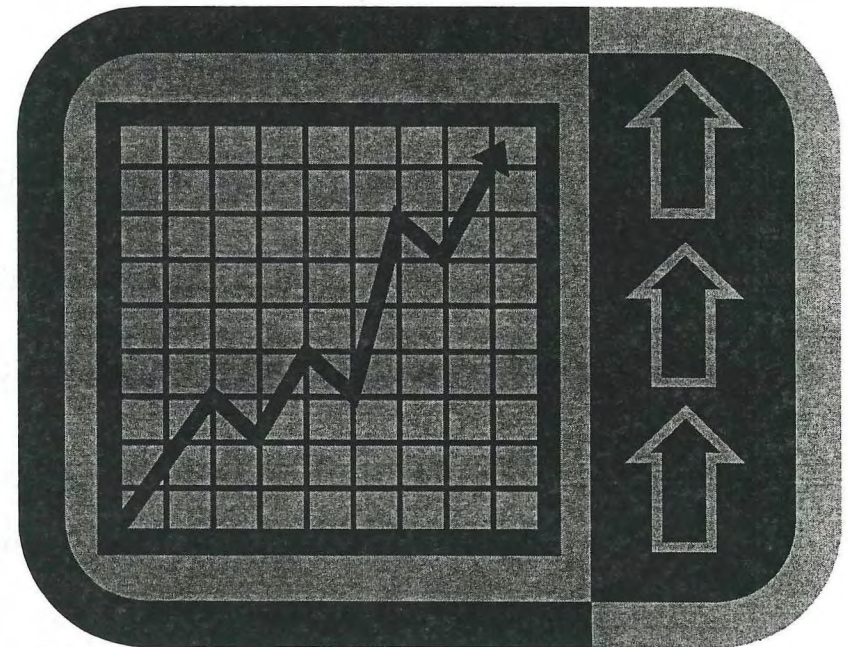
Universal access to energy

- ◆ Electricity and heat are basic necessities and universal, non-discriminatory access to these services must be ensured for all Ontarians, including low-income consumers.
- ◆ Low-income residential consumers face a disproportionate energy burden.
- ◆ Low-income consumers face barriers to taking full advantage of energy conservation possibilities.



Rising energy prices

- ◆ As of April 1, 2005 - OEB's Regulated Price Plan increased electricity prices
- ◆ On May 1, 2006, and every six months after that, prices may change based on an updated OEB forecast & any difference in the amount consumers paid for electricity and the amount paid to generators
- ◆ Natural gas prices and oil also on the rise

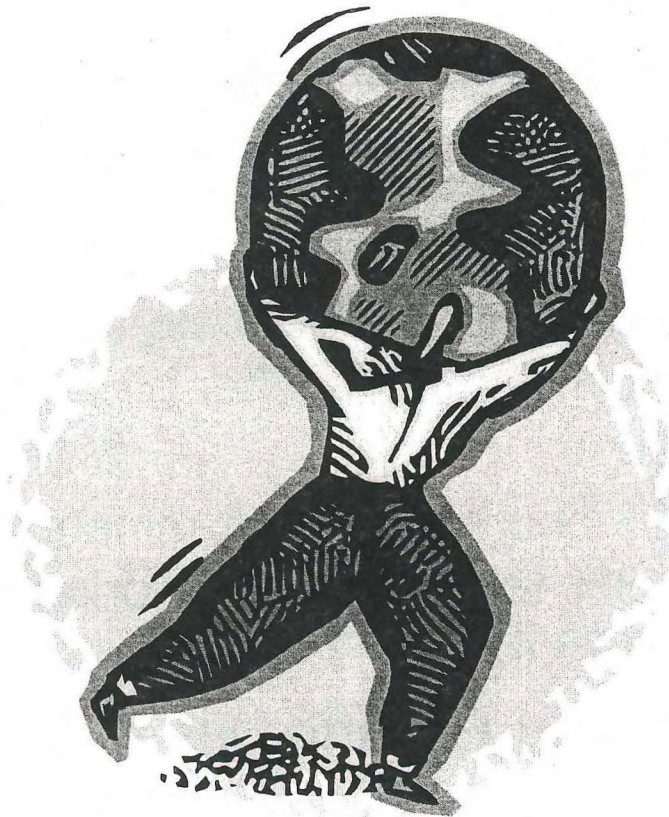




Energy use and the environment

- ◆ Electricity generating stations are big polluters.
 - 20% of greenhouse gases
 - 15% to 23% of smog-causing pollutants
 - Radioactive wastes we don't know how to deal with
- ◆ 33% of electricity used by residential sector;
 - home energy use (electricity natural gas & oil) is responsible for 15% of greenhouse gas emissions in Ontario.
- ◆ Environmentalists call for higher electricity costs to spur conservation, BUT higher prices will increase the energy burden on low-income people

Low-income energy burden



- ◆ Low-income energy consumers face a disproportionate energy burden
- ◆ Energy burden refers to the amount of household income spent on energy
 - some experts say 6% is an affordable burden
 - U.K. fuel-poor household defined as spending more than 10%

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Low-income energy burden

- ◆ With the April 1st, 2005 rate increases, electricity bills for an average residential customer range from \$94 to \$159 per month.
 - For a single mother with two children on social assistance, this represents 17% to 28% of her maximum shelter allowance of \$571.
 - For a single person working 35 hours a week at minimum wage (\$7.75) this represents 8% to 14% of this worker's total monthly pre-tax income of \$1175.42.
- ◆ The typical low-income family in Ontario has only a \$200 "cushion" to buffer income interruptions or deal with unexpected expenditures.

Rising energy prices and low-income consumers



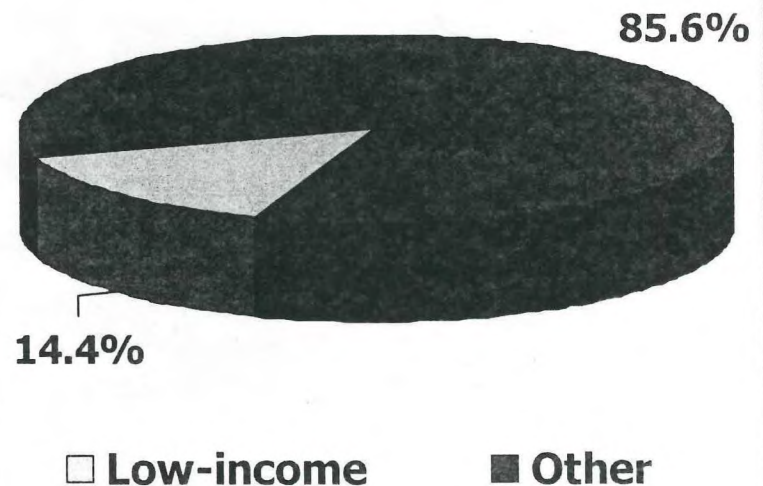
- ♦ Low-income households are particularly vulnerable to increases in shelter and utility costs - put housing in jeopardy.
- ♦ High energy costs are the second reason for economic evictions in Ontario, right after unaffordable rents, according to Share the Warmth.
- ♦ Heating, eating or paying the rent will be choice faced by many.
- ♦ Reductions in energy use may be at the expense of socially acceptable standards of living.

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Poverty

- ◆ 14.4% of Ontario's population (1,611,505 persons or 759,590 households) are living at or below the "poverty line"
 - the majority (65%) of these low-income households are renters (490,485 households), and 35% are low-income homeowners (269,095 households)

**Ontario Income Status
(2001)**



Source: Statistics Canada, 2001 Census of Population

Before-Tax Low-Income Cut-Offs (LICOs), 2004

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	Population of Community of Residence				
Family Size	500,000 +	100,000 – 499,999	30,000 – 99,999	< than 30,000	Rural
1	\$20,168	\$17,298	\$17,179	\$15,985	\$13,938
2	\$25,210	\$21,623	\$21,474	\$19,981	\$17,422
3	\$31,353	\$26,892	\$26,706	\$24,849	\$21,668
4	\$37,953	\$32,553	\$32,327	\$30,081	\$26,228
5	\$42,425	\$36,389	\$36,136	\$33,625	\$29,320
6	\$46,897	\$40,226	\$39,946	\$37,168	\$32,411
7 +	\$51,369	\$44,062	\$43,755	\$40,712	\$35,502

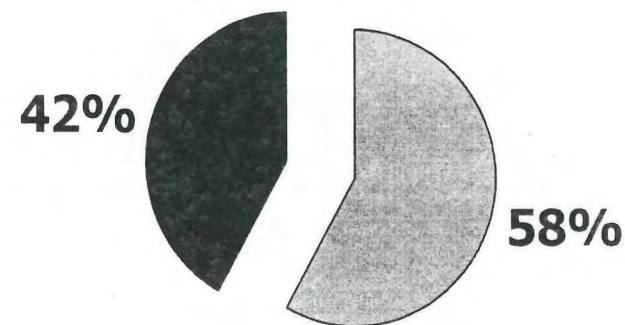
Source: Statistics Canada - Low income cutoffs (1992 base) 2004 before-tax

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Housing affordability

- ◆ 42% of Ontario tenant households (564,735) pay 30% or more of their household income on shelter costs (including utilities).
 - 20% pay 50% and over of their household income on shelter costs - and are at increased risk of homelessness
- ◆ 66.4% of Ontario households in core housing need are tenant households - a significantly disproportionate share.



■ Pay less than 30%
■ Pay 30% or more

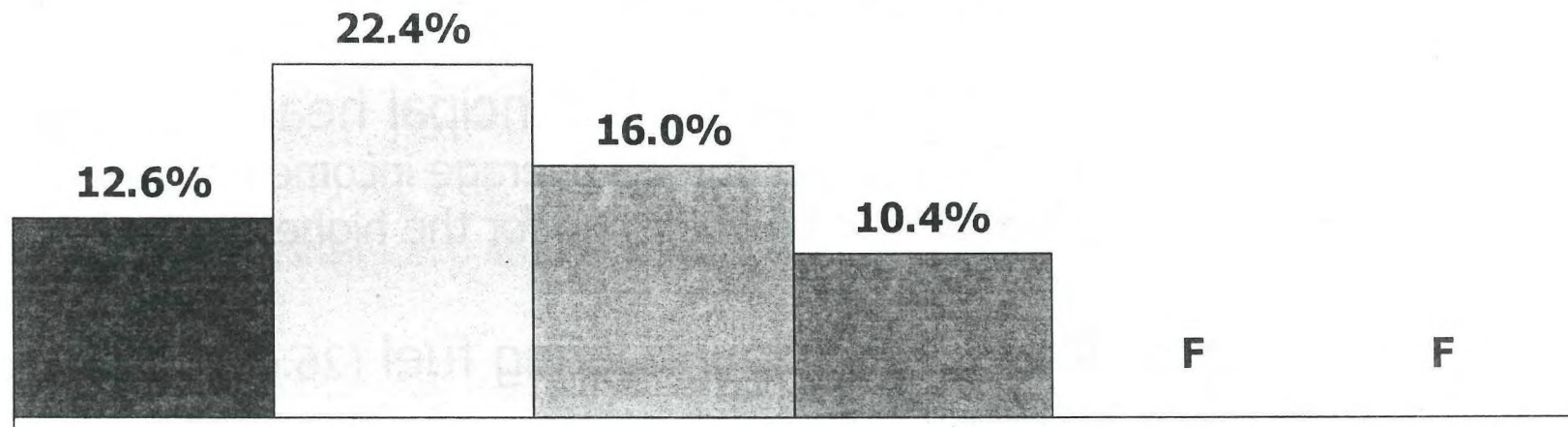
Vulnerability to rising electricity prices

- ◆ The lowest household income quintile in Ontario has a far greater proportion of households that:
 - have electric heating as their principal heating equipment (22.4% compared to 12.6% for the average income household and a number too unreliable to be published for the highest quintile)
 - use electricity as principal heating fuel (26.4% compared to 9.8% for the highest quintile)
 - use electricity as principal heating fuel for hot water (30.4% compared to 15.1% for the highest quintile).

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Principal Heating Equipment

Electric Heating



Income Quintile

■ Average □ Lowest ■ Second ■ Third ■ Fourth □ Highest

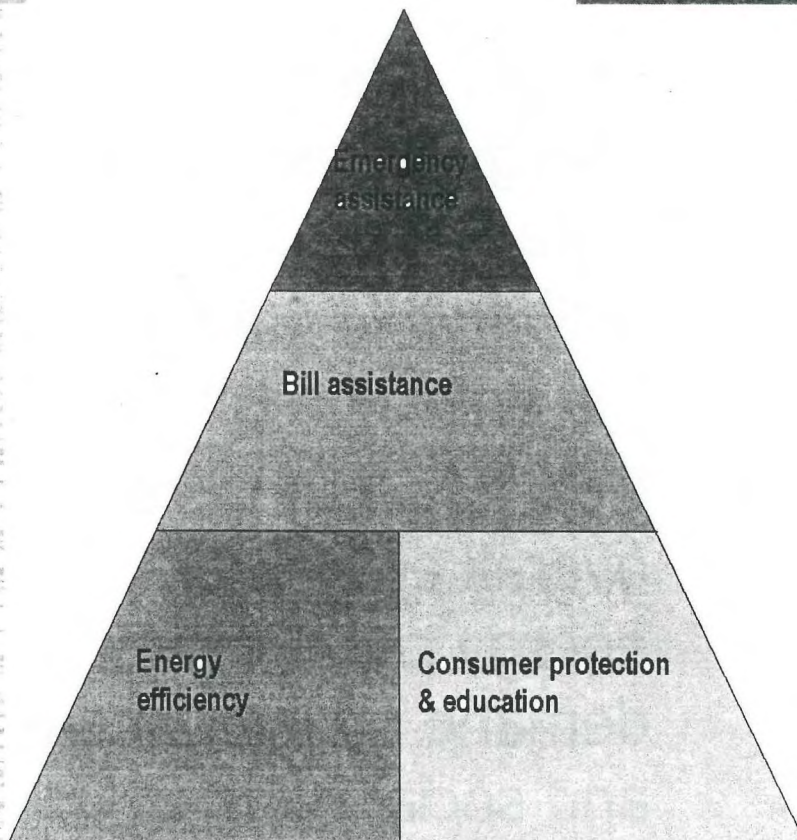
Source: Survey of Household Spending 2004, Statistics Canada

Energy conservation and low-income consumers



- ◆ Conservation and energy efficiency is a cheap, clean, and sustainable solution to the energy crisis
- ◆ OPA directed to reduce overall electrical energy consumption & demand by low-income and social housing residents by 100 MW

LIEN's approach to low-income energy conservation & assistance



- ♦ Targeted low-income energy efficiency programs, at no-cost to participants and with as extensive measures as practicable to provide deep reductions in all energy use
- ♦ Extensive consumer education about energy conservation and available programs to support conservation activities
- ♦ Low-income rate assistance *LIEN developing this*
- ♦ Adequately funded, single-point of entry emergency energy assistance to help low-income households in crisis

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Benefits to Low-income Household

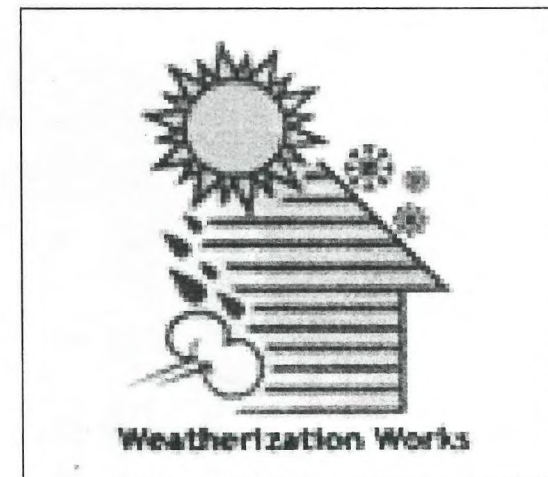


- Lower energy bills
- Reduce risk of homelessness
- Improve comfort/quality of life
- allow people with low incomes to participate in the "Culture of Conservation"

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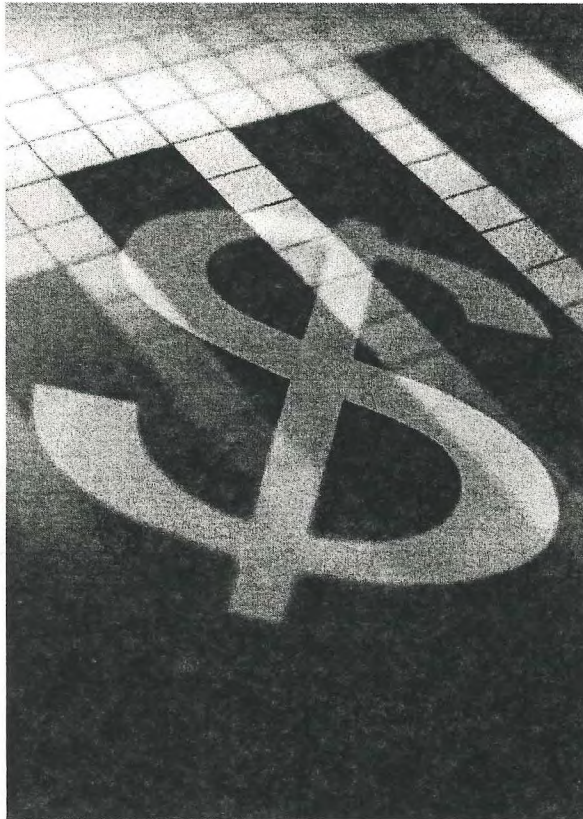
Benefits for Society

- Reduce demand for emergency assistance (public & charitable funds)
- Reduce need for public expenditures such as health, fire, building inspections, homeless shelters, and housing programs
- Reduce poverty
- Reduce pollution
- Reduce need for new generation facilities



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Benefits for Utility



- Reduce costs associated with late payment or non-payment of bills (e.g. collection, disconnection, reconnection)
- Reduce costs associated with emergency calls

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Barriers to conservation for low-income consumers: homeowners & renters

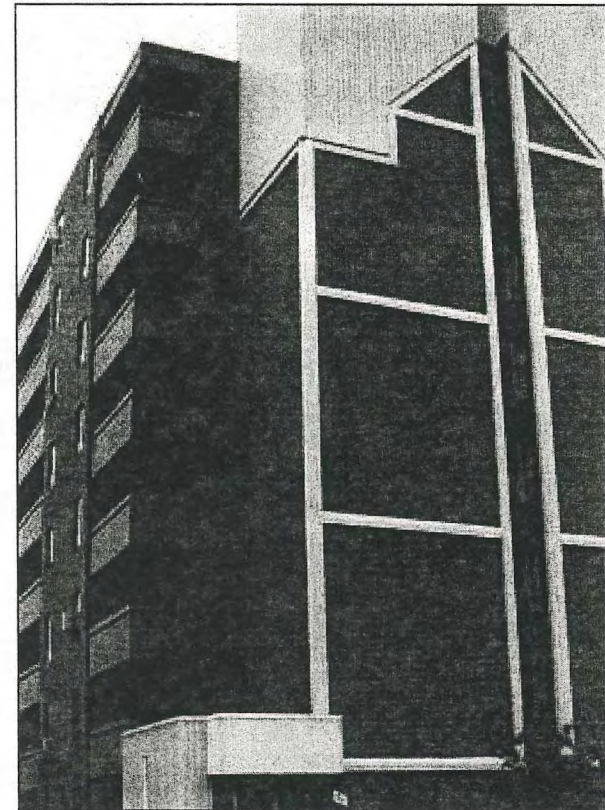
- ◆ Lack of capital to invest in energy efficiency
- ◆ More likely to live in sub-standard housing - older, drafty/poorly insulated with inefficient appliances & heating systems
 - Apartment buildings: may not even have thermostats in individual units



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Barriers to conservation for low-income consumers: renters

- ◆ Split incentive between landlords & tenants
 - tenants don't own building/appliances so can't benefit from long-term investment;
 - tenants don't have authority to invest
 - landlords can pass on higher energy costs under current rent rules/don't directly enjoy improved comfort of less drafty home



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Conservation and housing tenure

- ◆ Conservation for low-income homeowners less complex to address - owner & resident one and the same
- ◆ Social housing and private rental - have distinct mandates/interests, legislative and regulatory regimes, particularly with respect to rent rules and how energy efficiency retrofit costs and savings can be passed on to tenants
- ◆ currently, most social housing tenants pay for utilities in their rent; most tenants in multi-residential private rental sector pay for utilities in their rent
- ◆ electricity sub-metering being proposed as "quick fix"

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Who's calling for sub-metering?

Landlords

- want to transfer volatile utility costs to tenants, argue that tenants and the environment will benefit

Ontario government

- facing energy supply/demand crunch, promised to close coal-fired plants - want to promote "culture of conservation" among all energy consumers

Suppliers

- meter and billing services companies see business opportunity in multi-residential rental sector

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LIEN & ACTO: sub-metering not answer



Zapping Tenants report:

- Not cost-effective
- Not most effective conservation
- Not fair to tenants

Financial incentive shifted from landlord to tenant,

- But, landlord has control over factors that can significantly reduce energy use (One-Tonne Challenge list)

Helping low-income consumers

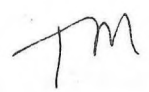
Energy conservation programs

- ◆ OEB encouraged LDCs to undertake low-income CDM, not mandatory
 - LIEN produced template for program for low-income homeowners and tenants who pay for utilities (electricity, gas) directly
 - Brantford Power piloting "Conserving Homes" program based on LIEN template
 - 33 LDCs are spending approx. \$9.6 million on targeted low-income or social housing energy conservation programs (about 6% of all LDC CDM spending approved by the OEB)
 - more than half of this spending by Hydro One Networks (\$5 million)
 - most funding for social housing sector

Helping low-income consumers

Energy conservation programs

- ◆ Social Housing Services Corporation (SHSC)
 - very motivated to reduce energy costs/consumption
 - Energy Management Program pilot and financing of retrofits
 - results from first phase audit of 5,000 units - \$17.5 million needed for retrofits
- ◆ Discretionary benefits available for OW/ODSP recipients (homeowners or renters) to pay for pre-approved low-cost energy conservation measures
 - payment issued only once to benefit unit, may not exceed \$50
 - for caulking, weatherstripping, insulating pipes, low-flow showerheads, CFLs, etc.



Helping low-income consumers

Energy conservation programs

- ◆ October 6, 2005 Minister's directive gives OPA/Conservation Bureau responsibility for low-income and social housing CDM - target of 100 MW reduction
- ◆ Federal government's 5-year, \$500 million EnerGuide for Low-Income Households (EGLIH) program to assist 130,000 low-income households
 - some provinces (Saskatchewan, Newfoundland & Labrador) are topping up EGLIH funding, piggy-backing additional energy conservation measures to achieve further energy reductions

Helping low-income consumers

Rate assistance/emergency energy assistance

- ♦ in development of RPP, LIEN recommended that the OEB establish a low-income assistance rate
- ♦ ACTO/LIEN have recommended complete exemption for low-income households from consumer security deposit requirements; OEB has set guidelines for collection of deposits, including payment by installments

in page

Helping low-income consumers

Rate assistance/emergency energy assistance

- ◆ STW/LIEN worked with ComSoc to achieve “one-time” \$2 million Emergency Energy Fund on March 29, 2004; renewed the fund in 2005 Ontario Budget, and annualized it
 - fund assists low-income households to pay energy arrears, security deposits and reconnection fees
- ◆ Social assistance recipients who pay for heating costs directly can receive assistance for fuel costs as part of shelter allowance, up to a set maximum based on family size

in package →

Helping low-income consumers

Rate assistance/emergency energy assistance

- ◆ Community Start-up and Maintenance Benefit (CSUMB) pays for utility arrears, reconnections; maximum benefit can be accessed only once in 24-month period
- ◆ Discretionary benefits are available to assist OW/ODSP recipients with cost of utility arrears, deposits and reconnection fees
- ◆ Share the Warmth, Winter Warmth (Toronto Hydro & Enbridge Gas) and other charitable groups provide financial assistance to pay utility bills - many programs, varying criteria, hard to access

in package

Helping low-income consumers

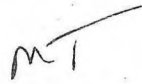
Consumer protection

- ◆ municipalities can pass Vital Services by-laws under Part VII of the *Tenant Protection Act*, but only a handful have
- ◆ these by-laws permit municipalities to step in to restore utility service in cases where tenants pay for the utility in their rent and the landlord has defaulted on payments
- ◆ a private member's bill has been introduced that provides for the provincial government to step in when there is no municipal vital services by-law in place

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OPA's role - conservation and low-income consumers

- ♦ OPA should aggressively pursue conservation as a form of procurement - need for leadership and quick implementation
- ♦ OPA should mandate comprehensive, province-wide low-income energy conservation & assistance programs, use LIEN strategy as model, ensure access to all those in need



OPA's role - conservation and low-income consumers

- ◆ Programs should be designed in consultation with stakeholders and delivery/funding partners,
 - to avoid duplication or leverage additional energy efficiency/conservation measures
 - address all energy use ("fuel neutral")
 - with a wide suite of measures (including building envelope retrofits) to reduce energy costs to the greatest extent possible
 - address energy efficiency in new social housing to be built under Ontario/Canada Affordable Housing Program

OPA's role -conservation and low-income consumers

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- ♦ To achieve “deep” reductions, programs should be adequately funded and tailored to distinct low-income customer groups, including:
 - low-income homeowners
 - low-income tenants in private rental housing
 - low-income tenants in social housing
- ♦ Southern California Edison's Low-Income Energy Management Assistance program spent US \$69.1 million between 2001 and 2004 to reach 187,685 homes and achieve 32.1 MW in demand reductions.

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Information about LIEN & its work

- We want to develop and implement a comprehensive, workable low-income energy conservation and assistance program in Ontario.
- Our reports and media release packages can be accessed at the LIEN web site - www.lowincomeenergy.ca, and also at:
 - www.acto.ca
 - www.torontoenvironment.org
 - www.cela.ca

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