SHARE THE WARMTH

Province-wide Low Income Energy Assistance: An Early Warning System for Households Vulnerable to Homelessness

Submitted by Share the Warmth to the Ministry of Community and Social Services

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Introduction: The Evolution of the Status Quo

Unlike many provincial programs designed to assist low-income Ontarians, responses to low-income energy related issues evolved and were not designed. Stakeholders such as utility providers, Community Municipal Service Managers/District Social Services Administrative Bureaus (CMSMs/DSSABs) and social agencies have had these challenges thrust upon them over the past decade with responses and effectiveness varying from community to community.

Security deposits represent one aspect of the low-income energy dilemma, albeit a critical one. Disconnection, reconnection, arrears management, response time limitations and payment certainty are just some of the larger issues that have faced low-income consumers, distributors and the large group of CMSMs/DSSABs and community agencies to assist them. Their experience has determined their current approach to these issues.

Generally these approaches lack the coordination, resources, connectivity and effectiveness required to gain a real understanding of the extent of the problem and the best practices necessary to make meaningful long and short-term impacts.

Low Income Energy Assistance Programs in Ontario 1985 to 1995

In Ontario low-income energy assistance programs evolved organically to meet the need of greater housing stability and to stem the rising tide of homelessness in communities across the province. Typically, programs were funded by churches, community agencies and/or regional/national/international charities/foundations (such as the Salvation Army or the Boys and Girls Club). Funding was provided to community agencies or churches to deliver assistance using various forms of equity based distribution on a first come first served basis. Need (or demand) generally outstripped supply. Consequently, funds were invariably exhausted before the end of the heating season leaving those who struggled to pay their utility bills through the first half of the winter or those who were not aware of or able to apply early for assistance, literally out in the cold.

Few of these programs[1] received (municipal/regional) government funding (at least not directly), consequently funding adequacy was and remains the primary shortcoming in

[1] Socially assisted energy assistance has a long history in the province of Ontario. While low-income energy assistance programs may serve working poor and socially assisted households, low-income households have traditionally been barred from accessing socially assisted energy assistance programs which have access to more adequate funding and were delivered by municipal service managers across Ontario. Consequently, low-income programs evolved in the absence of alternatives for working poor households or socially assisted households who had exhausted their benefits. For the purposes of this

program effectiveness with respect to low-income clients. Given modest funding and an insular focus, community based programs tended to focus on the customer base of their particular LDC or local utility. None served households outside a given LDC's service area meaning that gas assistance across multiple LDC service areas (4 or 5 gas utilities served a customer base spread out across an area served by 300 LDCs) was at best inconsistent and at worst non-existent. LDCs and gas utilities generally held a passive view toward energy assistance programs until 1995 providing little or no funding to these local programs. For LDCs, this was due in part to their status then as Crown Corporations. For gas utilities this was largely due to the fractured and fragmented form of these programs as none of these programs could or did serve all of their customers. A large gas utility might serve hundreds of communities with only some of them operating energy assistance programs and each of them with different rules, payment policies, personnel, contact information and reliability.

Low Income Energy Assistance Programs in Ontario 1995 to Present

In 1995, students at Osgoode Hall Law School incorporated an energy assistance program for low-income households in the City of Toronto, Share the Warmth (STW) and operated it for 3 years from a library carrel at the school. By year three, students with the help of a Region of Waterloo utility company expanded the program outside of Toronto creating the first multi-regional low-income energy assistance program in Ontario.

Articling law students, having participated and volunteered for STW at the law school during its formation, became the impetus for a low-income program established in the City of London based on the Detroit, Michigan THAW model. Since that time THAW has shifted to a web-based model that now serves the entire state of Michigan. Both the program design and the online application used by THAW were designed by Edward de Gale, Executive Director of Share the Warmth in 2002.

By 1999, STW had developed an end to end solution that used as its core functionality an online application which allowed agencies across the province to process applications for assistance instantaneously while local and regional utilities were apprised of the results. By training community-based agencies across half the province and fundraising the necessary energy assistance dollars, STW was able to roll out a low-income energy assistance program capable of serving all of the customers of the province's largest gas utility. In 2000, in response to requests from Ontario's second largest gas utility, STW rolled out the program to the rest of the province of Ontario and began offering province wide assistance in multiple jurisdictions in some cases to socially assisted and non-socially assisted households.

Utility involvement grew from 1996 to 2002 due in large part because STW was able to present an innovative and compelling business case that utility companies that partnered

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report, energy assistance programs for socially assisted households will be viewed separately from low-income programs designed to serve the working poor unless otherwise noted.

effectively with an energy assistance program could significantly reduce utility operating costs, such as call times, call volumes and bad debt. In other words by partnering with an energy assistance program raising third party donations a utility could effectively outsource hard to serve low-income customers to community agencies for assistance.

As the deregulation of utility companies appeared imminent allowing utilities to theoretically pursue customers anywhere in the province, LDCs merged (300 in 1995 to fewer than 100 in 2005), changed their status from Crown Corporations to private companies and moved to establish better relationships with their customers through public and community relations initiatives such as partnering with energy assistance programs.

Beginning in 1999 big utilities confronted with massive costs for customer relationship management generally and call centres specifically, outsourced their call centres undermining the most value added benefit derived from partnering with energy assistance programs. Savings that realized from outsourcing low-income customers to energy assistance programs no longer accrued to utility companies directly but to their outsourced service providers. Consequently big utility motivation for involvement in energy assistance programs became increasingly focussed on brand recognition and public perception rather than operational savings and bad debt.

In 2002, deregulation stalled and utility companies recoiled from support of energy assistance programs due to their ensuing cash shortage, market uncertainty and the establishment of a provincial moratorium preventing the disconnection of electricity customers.

In 2003 as stability began to return to utility companies, local governments recognizing the value of being able to direct utility policies to the benefit of their communities directed their community owned utilities to invest in energy assistance programs on the local level. Big utilities believing they could achieve greater community relations value in stand alone initiatives moved to create energy assistance programs that would carry their brand message undiluted to their customers. Consequently, new and primarily local energy assistance programs began to emerge.

In 2004, STW wrote and submitted a proposal to the Minister of Community and Social Services calling for the creation of a province-wide energy assistance fund. The provincial government responded by creating a one-time 2 million dollar energy assistance fund (EEF) distributing the funds based on population to CMSMs/DSSABs across the province. The province set flexible eligibility requirements providing CMSMs/DSSABs with considerable discretion in the use of the EEF resulting in the creation of dozens of new local energy assistance programs with varying criteria, catchments and accessibility. In some casesCMSMs/DSSABs absorbed these funds into existing programs, but if you had previously accessed any other form of assistance you were barred from applying. In addition, by CMSMs/DSSABs internalizing these programs, they encountered challenges in getting the assistance to the working poor and

new Canadians whom were either unaware of the program or unable to overcome the perceived stigma of approaching Ontario Works for assistance.

The province elected to renew the EEF. However, the multiplicity of new and old programs, the complexity of issues such as security deposits and reconnection fees, the importance of ensuring that EEF dollars actually arrive in a manner that truly assists low-income Ontarians, and the necessity of ensuring equity caused government to re-assess how the EEF should be structured.

The Interests of Provincial Energy Assistance Stakeholders

Each of the provincial stakeholders active in providing energy assistance services have interests which inform their actions. The remainder of this report will briefly outline the often-divergent interests of the provincial stakeholders involved in providing energy assistance.

While interests may diverge it will become apparent that provincial stakeholders have much more in common - an EEF with broad stakeholder participation, equity, accountability, regional-flexibility and program efficiency.

Provincial Government

While gas may be a federal jurisdiction, electricity is a provincial one. Providing a healthy and stable environment from which generators and transmission companies can provide safe, reliable and affordable energy is a critical provincial responsibility. With the rising price of all forms of energy, equal access to affordable energy has become an increasing challenge for provincial policy makers.

With the introduction of the Emergency Energy Fund, the province has sought to address the energy affordability issue with respect to socially assisted and working poor households by providing emergency assistance to households particularly in the winter.

In establishing the EEF, the province has sought a reliable, accountable and responsive mechanism to address energy poverty and prevent homelessness. By providing funding to MSMs the province is fulfilling its commitment to community partnerships while relying on communities to know best how to tackle poverty in their communities.

New challenges arose after the introduction of the EEF. They include but are not limited to: vastly increased funding; dozens of new service providers; no program audit requirements; inadequate administrative funding; little or no awareness of the program among the working poor; no continuity from one region to the next; some programs offering loans and others offering grants; working poor eligible in some regions and only socially assisted eligible in others; some CMSMs/DSSABs electing to absorb EEF funding into municipal budgets; other CMSMs/DSSABs attempting to deliver EEF from existing socially assisted programs; some programs with arbitrary funding eligibility; other programs with no eligibility requirements at all; community-based agencies

competing to deliver the EEF and thereby retain the modest but crucial administrative dollars; some clients applying to multiple programs from a single household; other households agency shopping to find the program with the highest amount of assistance; little or no requirement for supporting documents to substantiate requests for assistance; the existence of significant EEF funding surpluses in some communities while less wealthy regions have exhausted funds almost 6 months earlier; utility companies providing energy assistance dollars through utility-based programs that are often unconnected to the EEF or other programs operating in a given service area; lack of awareness among working poor of how or where to access EEF; considerable lack of transparency among MSM managed programs.

Municipal Service Managers

The interests of Municipal Service Managers are as varied as the communities themselves. While many CMSMs share the same goals – effective programs that fight poverty and increase the quality of life in their communities – they differ on how to accomplish it and who should deliver them.

Some CMSMs/DSSABs believe[2] that to effectively achieve these goals programs must be managed and delivered by a single community based entity – the region. Other CMSMs/DSSABs believe that the best way to achieve sustained and increased quality of life in the community is through community-based partnerships. While still other CMSMs/DSSABs look to blend service delivery with regional and community agency providers.

Community Based Agencies

Community based agencies are often the closest stakeholders to low-income households in need. While these agencies may provide direct energy assistance they often lack the resources and response time to avoid additional avoidable costs such as utility administrative and reconnection fees. Struggling to fund operations they deliver high value, low cost services to the communities they serve. However in the last decade, reduced government social spending has pitted many community-based agencies against each other in pursuit of life sustaining administrative funding.

Community agencies are excellent partners for CMSMs/DSSABs. However, some agencies enjoy preferred relationships with the region meaning that the benefits of regional partnership are enjoyed by the few.

An ideal approach to program development would enable, encourage, and facilitate all community agencies to participate in a single point of access energy assistance program. This would enhance program effectiveness by making every agency a potential

[2] These CMSMs/DSSABs seek to internalize energy related programs serving the working poor sometimes out of fear of job losses, future budget cuts or an effective alternative.

application center and would equitably distribute the corresponding administrative revenues.

Utility Providers

Utility providers are mandated to provide safe and reliable power for their customers. Relatively new to the concept of emergency energy assistance, utility providers are to a large extent owned by the communities they serve. Their participation in energy assistance programs is generally a product of community-based political will or on the basis of economics (call times, call volumes, bad debt).

Utility providers are committed to all their customer classes and are inclined toward programs that are equitable, accountable and that enhance their relationship with their customers.

Churches, Regional/Provincial Agencies/Funders

Churches and regional/provincial agencies/funders such as the Salvation Army, etc. are the early providers of energy assistance programs. They began funding and serving energy poor households vulnerable to homelessness before the larger society recognized that there was a problem in this area.

Adequate funding, equity issues and accountability are some of the larger challenges confronting this group.

Four Barriers to Program Effectiveness

In providing the EEF the province has sought to provide an emergency energy safety net for households unable to pay their utility bills. The challenges or barriers to program effectiveness in a sector as complex as has been discussed above are **equity**, **accountability**, **transparency**, and **coordination**.

a) Equity

Program equity is an important principle generally and is even more important when a government funds a program. While deference to community-based decision-making may be important as communities take different approaches to energy assistance, it is essential that Ontarians receive equal access to energy assistance programs funded by the province. The first EEF afforded communities considerable discretion in the distribution of these funds. The result was a patchwork of programs that as discussed above was not equitable. While socially assisted clients were generally, though not entirely eligible, working poor household's eligibility was by and large a product of what community they lived in and not need. CMSMs/DSSABs determined eligibility requirements further excluded sub classes of working poor and socially assisted households based on locally determined criteria not included in EEF eligibility requirements set by the province.

b) Accountability

More money, more programs, increased need, and multiple jurisdictions, are all factors driving the need for greater program accountability. Through the EEF, the province has undertaken the task of funding energy relief for at risk, low-income Ontarians. With hundreds of organizations involved in providing millions of dollars of time sensitive assistance across numerous communities alongside programs with similar missions, a single point of access is not only desirable it is crucial to program success.

c) Transparency

Program transparency is critical from a user standpoint. Clients need to know where to apply, how to determine if they are eligible and what kind of assistance they might be able to access. This information needs to be widely accessible for client households, community agencies, utility-providers and OW caseworkers alike. To date that has not been the case. Moreover, some CMSMs/DSSABs black-box where, when and how to access the EEF or erect barriers in the form of limiting access to clients seeking assistance on an annual basis or more than once in a lifetime. When pressed these municipalities state that these barriers or program rules are 'not etched in stone' and that some 'flexibility' exists. However, without a knowledgeable and persistent advocate on behalf of these clients such program 'flexibility' or exceptions would not be known.

d) Coordination

Program coordination is a key barrier to program effectiveness. Currently funds are distributed to CMSMs/DSSABs who are using general criteria provided by the province distribute assistance, directly or through service providers, and report back to the province. Consequently, program coordination with the province takes place once at the beginning of each heating season, often in the form of a series of conference calls.

This situation is exacerbated by the abundance of other programs not consulted or included in the annual coordination efforts by the province. EEF policies invariably impact parallel programs creating annual uncertainty prior to each heating season among service providers, funders and CMSMs/DSSABs.

However, because of new OEB directives, energy price fluctuation, and the need for various service providers and alternate energy assistance programs to coordinate within regional meetings take place on a year round basis as each community grapples with the same problems in different ways.

Overcoming Barriers to Program Effectiveness

To overcome equity, accountability, transparency, and coordination barriers to program effectiveness it is recommended that the province employ a web-based application portal to provide energy assistance throughout Ontario.

The web-portal would instantaneously facilitate the secure distribution of information to all relevant stakeholders involved in the provision of energy assistance services in Ontario including but not limited to utility-providers, community-based agencies, CMSMs/DSSABs, caseworkers, and the provincial government.

By employing a single point of entry for all energy assistance services in the province, equity within and across regions could be assured. Moreover, an effectively designed portal would ensure accountability, eliminate fraud, and prevent double dipping, system abuse, paper application errors and agency shopping.

With client information inputted into a web-based data management tool, programs across the province could be seamlessly coordinated, affording higher degrees of transparency and certainty. By subjecting these providers to random, third party audits of both online data, paper applications and supporting documentation, the province can be assured that funds intended for specific purposes are used appropriately. Provincial caseworkers using the online application could be provided a short form minimizing worker time per application and duplication (socially assisted client data already on file).

Local and provincial governments could monitor and measure program output and run reports without additional staffing providing the province with the opportunity to monitor the progress of the program on a day to day, month to month and/or year to year basis. The province could compare and contrast any regional data without adding to the data collection and report writing responsibilities of CMSMs/DSSABs or their staff.

Future provincial program changes, new relevant OEB directives, and critical local program initiatives could be added to the application as needed without requiring local or provincial meetings or conference calls. Critical new information or directions necessary for processing applicants could be provided through on line prompts, pop-ups and on line messaging.

Using web-based tools for all program service providers gives the province among other advantages, instant access to program statistics, the ability to communicate rule or process changes instantly and will enable it for the first time to measure the size of the problem and the concentration of need.

Online training required to access and operate the application could be accomplished rapidly, across large distances with minimal effort or cost

Security Deposits and low-income consumers: Should low-income consumers be obligated to provide security deposits?

Many low-income advocates have called for a waiver of security deposits for low-income consumers. However, given the current regulatory regime and the realities facing low-income households, such a waiver is not desirable and could serve to undermine the financial integrity of the provincial distribution system.

Despite the fact that the distribution portion of the energy bill is perhaps 15 to 20 percent of the total customer bill, distributors are liable to generators and transmitters for 100 percent of it. As power is used first by consumers and billed afterward, large-scale customer default on accounts could cause severe financial hardship for distributors.

Given the often fragile economic position of many low-income households, it would be irresponsible and inequitable to others of that customer class if distributors were to provide power to some low-income consumers without a security deposit or credit check to offset an inability to pay.

How are low-income households without the ability to pay going to afford a security deposit?

The short answer is that they cannot. Security deposits are simply out of reach for the average low-income consumer who is challenged enough trying to pay for actual energy usage and other necessities of life. Although these issues seem to present a significant challenge to the system, in actuality these issues present a significant opportunity to energy conservation and homeless prevention efforts across the province and should be viewed as such.

A Self-Perpetuating Provincial Security Deposit Clearing House

Currently security deposits for low-income households are paid on an ad hoc basis using funds intended for energy assistance. This practice has the effect of diluting energy assistance revenues and distorting program impact and reporting. The OEB changed regulations to allow third party community agency payers of security deposits to receive back any unused portion of the deposit. However, in practice the burden of accountably tracking the return of security deposits (with accrued interest) to third party community agencies rests on the agencies themselves and is consequently less a benefit and more a

burden. While the OEB regulation was intended to close a loophole in the system and prevent low-income clients of energy assistance programs from receiving an unjust enrichment, it does so at the expense of the agency's resources and ultimately revenues.

While utility companies offer modest interest (approximately 2%) for the security deposits they hold, critics of the existing system argue that utility companies are actually enjoying cheap access to capital because bank facilitated cash flow would cost considerably more than the rate they are paying. As security deposits are a necessity for utility-providers bearing the risk of power used first by residential consumers and paid for later, waiver is not an option. Utility providers do not require cash, just credit to offset their exposure. Consequently letters of credit would suffice (this approach is already employed by utility providers for their commercial clients) but the cost per residential client for letters of credit from a financial institution is prohibitive. However, modified versions of letters of credit backed up by the provincial government would likely be acceptable to utility providers. Under such a scenario the provincial government would be asked to put an adequate amount of money in a high interest bearing account or similarly high yielding financial instrument (conservatively estimated at 4%). Such a process would double the return on funds out of pocket or tied up with utility providers for this purpose. As low-income security deposit use peaks in the province, funding set aside for security deposits would similarly peak. Interest accruing from the high interest bank account or financial instruments would be rolled back into the fund and would eventually build a surplus. Once the fund develops a surplus and in the absence of massive low-income default on utility provider obligations above previous norms, the fund would conceivably become self-perpetuating.

It is recommended that the province establish a provincial clearing-house for low-income security deposits. A single provincial agency should be empowered to provide variations on commercial letters of credit to utility providers requiring security deposits from their low-income customers. The entire process from letter issuance to interest calculation and letter redemption could be automated with stakeholders able to track or request redemption on-line.

Maximizing Energy Assistance Program Coordination: An Early Warning System For Households Vulnerable to Homelessness

Currently energy related issues are being addressed in a short-term non-value added way. Money is being thrown at the problem in the hopes that it will go away, but these problems are systemic in nature and merely symptoms of larger issues. Energy assistance issues can be viewed as one of the last signals discernable to observers that the household is in crisis and that homelessness is a real and present danger.

Addressing the crisis with energy assistance, but failing to bundle necessary services misses a significant opportunity to identify at risk households likely to have a re-occurring crisis. A holistic coordinated approach is required that should streamline households accessing energy assistance into mandatory energy conservation, as well as where appropriate credit counselling and rent bank assistance.

By taking a preventative, holistic approach to households seeking energy assistance less money is applied to particular emergencies and crisis responses and less money is wasted in non value added ways such as reconnection fees, security deposits, interest charges, etc. More dollars can then be applied to proven sustainability strategies that include at minimum energy conservation.

Recommended Approach to Low-Income Energy Issues: Consolidation instead of Legislation

It is recommended that the province support a single point of entry web-based approach to energy assistance. Virtual EEF credits would be allocated to communities across the province through a region specific account accessible online by CMSMs/DSSABs, and where desirable licensed community agencies. CMSMs/DSSABs and community based agencies would provide intake for socially assisted and working poor clients in need of energy assistance.

Utility providers, regional/provincial agencies/funders should be encouraged to use the same mechanism as the province for distributing assistance for reasons outlined above. Such encouragement could, among other measures, take the form of matching a portion of non-government dollars used to provide assistance to their clients. Any agency could serve clients in their community using EEF, utility, and/or regional/provincial agencies/funds as these funds would be pooled and made available to agencies in communities where they were designated.

In doing so, the province would create a market-based, single access point approach to energy assistance in which any licensed community agency in the province could assist their easy to serve low-income clients with energy assistance and reap the commensurate administrative funding for delivering that service.

Agencies would be provided with passwords and logins that are person specific that would allow designated personnel to process applications for assistance.

The issuing of security deposit certificates, online payments to satisfy approved applications, application audit testing, online support, reporting and the post intake

service of disconnected working poor clients should be served by a provincial agency or a partner with the capacity and the expertise to do so.

It is recommended that the function of application processing or intake be separated from the function of online payments (Electronic Funds Transfer) for all stakeholders to increase accountability.