



Ontario Energy Board

Commission de l'énergie de l'Ontario

Assistance to Low-Income Energy Consumers – Role of the Regulator

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- Low Income Energy Network (LIEN) argued for low-income rate class in Enbridge Gas rate case
- Similar arguments made before Nova Scotia Public Utilities Board
- Board Decision April 2007 – OEB does not have jurisdiction

- Majority decision
 - “any [rate setting] method or technique” cannot reasonably be interpreted to mean “a fundamental replacement of the rate making process based on cost causality with one based on income level as a rate grouping determinant.”
- Member Kaiser dissent
 - Ability to pay part of ratemaking
 - Low income rates do not necessarily offend principle of unjust discrimination

- Court Decision of May 2008 overturns Board majority Decision
- Specific to OEB Act –Nova Scotia Public Utilities Act expressly speaks to non-discrimination (*Dalhousie Legal Aid Service v. Nova Scotia Power Inc.*)
- “Although cost of service is a fundamental starting point of just and reasonable rates – OEB Act includes objective of protecting the interest of consumers with respect to prices”

Divisional Court Appeal (cont'd)

- “...the Board has the jurisdiction to take into account the ‘ability to pay’ in setting rates.”
- “Does not have to exercise jurisdiction – are objectives of distributive justice best achieved in rates?”
- Justice Swinton’s Dissent
 - “While the language of the PUC and OEB statutes differs, principles remain the same”
 - “The Board’s regulatory power is a proxy for competition, not social policy”

Board Policy Report issued March 2009

- Low-income Energy Assistance Program (“LEAP”)
- Assistance with 3 components (tool box)
 1. Emergency financial (bill assistance)
 2. Tailored customer service rules
 3. Targeted DSM/CDM
- Consistent treatment for consumers across the province

LEAP Report: Low-Income Rates

- Rates can be adjusted in two ways:
 - Change rate design – fixed/variable change or inverse block rates
 - A class of low-income consumers
- Options rejected because:
 - Would distort price signals
 - Correlation between low income and consumption difficult to ascertain
 - No easy way for utility to identify a customer
- Rate assistance in many other jurisdictions – generally:
 - Bill assistance – low income consumers pay same *rate* as other residential customers, but receive a *discount on the bill*.
 - Rate discount – low income consumers receive a discount on residential rates.

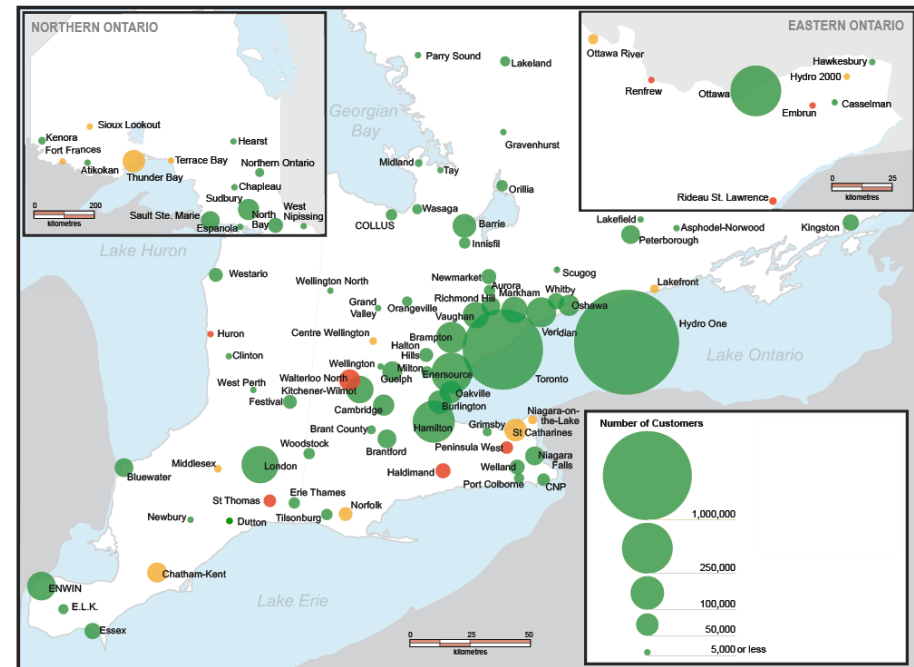
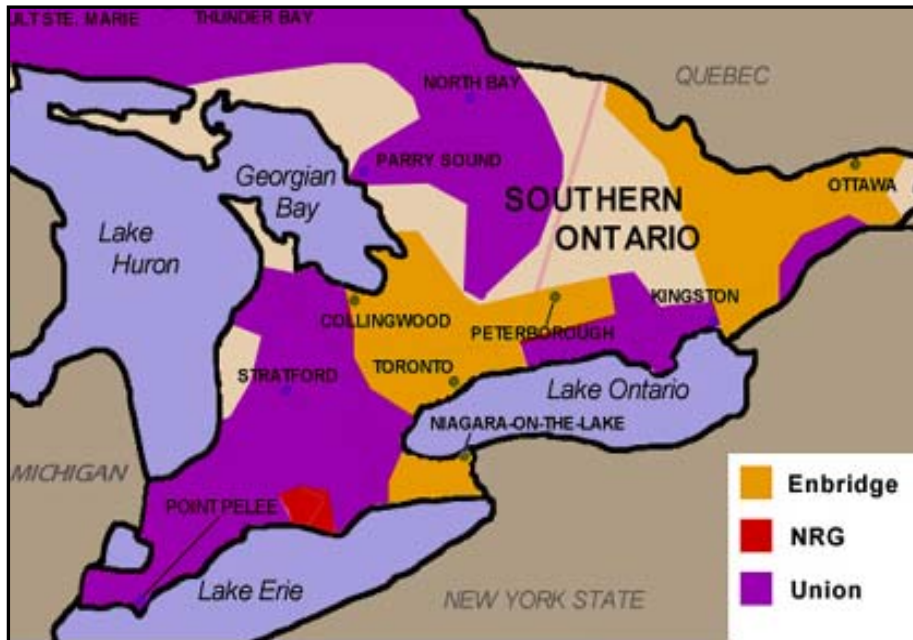
- Funding (emergency) available to low-income energy consumers should be increased
- Funding should be accessible on a province-wide basis
- Funding should be available to both electricity and natural gas consumers
- Distributors should develop partnerships with social service agencies

- Eligibility for the assistance program should be based on need, as determined by a social service agency
- An assistance program should not be overly costly or complicated to administer
- An assistance program should result in more effective and efficient management of arrears and disconnection

- Not necessary or desirable to attempt precise definition of “low income energy consumer”
- Distributors are not well positioned to assess “need”
- Coordination of assistance is desirable
- Social agencies can also connect consumers with other forms of assistance

Electricity and Natural Gas Distribution in Ontario

- 2 large natural gas utilities
(1 small gas utility + 2 non-rate regulated)
- 80+ electric utilities
> 1 million customers **(1)**
100,000 - 1 million **(8)**
30,000 – 99,999 **(19)**
0 – 29,999 **(55)**



Tailored Customer Service Rules

- Proposed amendments to several codes to effect changes to customer service rules, to assist:
 - Customers, in better managing bill payments
 - Distributors, to more effectively manage collections, bad debt and disconnection costs
- Proposed changes address:
 - Billing & bill payment
 - Disconnection notices
 - Security deposits
 - Arrears management

- Programs to be consistent with *Green Energy Act*
- CDM & DSM programs targeted to low-income energy consumers
- Distributors to have appropriate incentives to deliver programs to low income
- Low or negative cost benefit should not disqualify low income targeted programs from portfolio

Funding Financial (Bill) Assistance

- 0.12% of distributor's revenue requirement
- Based on 2007 revenues, approx. \$3m for electricity, \$2m for gas
- Recovery of costs through OM&A
- Establishment of deferral account (to allow immediate start)
- Non-rate regulated distributors encouraged to fund to similar level
- Distributors can augment funding through shareholder & other donations
- Retailers & marketers encouraged to contribute to LEAP



- Union → \$5.4M over 3 years
 - \$1.8m allocated for each year
 - Administered by United Way of Chatham-Kent
- Enbridge → \$9M invested through United Way of Toronto, with interest allocated each year to Winter Warmth
 - 2007-08 = \$354,000
 - 2008-09 = \$225,000

- Comments of Implementing Policy end of April
- Staff meeting with agencies and LDCs to understand current Winter Warmth program
- Establishment of implementation working groups
- Education and outreach to be developed
- November 2009 launch