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November 13, 2014

Via Email

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
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Dear Ms. Walli:

Re: EB 2014-0227 OESP Stakeholder Forum
Submissions of the Vulnerable Energy Consumers Coalition (VECC)

Further to our attendance at the Stakeholder Forum, we are enclosing our submissions with respect to the issues arising therein. We appreciate the opportunity to participate and voice the concerns of the Vulnerable Energy Consumers Coalition (VECC) in the design of a potential program of rate mitigation.

Thank you.

Yours truly,

Michael Janigan
Counsel for VECC

Submissions of the Vulnerable Energy Consumers Coalition
OEB 2014-0227 OESP Stakeholder Forum

Introduction

Pursuant to the letter of the Minister of Energy of April 23, 2014, the Ontario Energy Board has been charged with the responsibility of reporting on the merits and design of a ratepayer funded program. In furtherance of that objective, a stakeholder forum was held on November 6, at the Board where issues of eligibility, cost, intake and outreach were explored by the participants. Several presentations help illuminate the challenges and rewards associated with the design of a successful program.

In these submissions, VECC does not seek to recapitulate the discussion that took place, or to offer a proposed program that incorporates the various ideas. Instead d, we will direct our comments to some specific issues that should be addressed in the design of the contemplated program.

Objectives

There is little doubt that rising electricity prices have put pressure on the household budgets of those Ontarians who lack sufficient resources to absorb such increases without cutting back on other necessities. These households include seniors on fixed incomes, and those who have been insufficiently prepared for retirement expenses particularly after the death of a spouse. Ontario tenants have seen increases in their housing expense frequently based on the fallout of the smart meters program and the subsequent sub-metering arrangements. All of his comes at a time of slow growth in the economy and job creation following a stubborn recession.

However, it is clear that the contemplated rate mitigation program must be directed at the issue of connectedness to the network and not simply be designed as a social welfare program. While there is a similar effect on the wellbeing of program recipients, a well- designed program of rate mitigation or “lifeline” maintenance attempts to ensure that ratepayers don’t fall into arrears and disconnection because of financial problems.

Because components of the program look like social income re-distribution, there are complaints that this effort should be funded from general provincial tax revenues rather than the bills of other ratepayers. Opponents note that contributions to the program are based on a meter charge or a volumetric charge, neither of which directly reflect the relative ability to pay of the contributors.

The objections are partly answered by the size of the expected contribution to be made by individual ratepayers towards the program. The research of Roger Colton for LIEN shows an eventual monthly cost of $ .50 per month to residential ratepayers. However, this is not a complete rebuttal to the complaint since many utility expenditures are disallowed though the rate impact is less than $.50 per month.

The fact is that maintenance of connectedness to the network a well-accepted value for utility regulation. Economic externalities increase with customer additions and/or preventing customer drop-off. In turn, ensuring that affordability is maintained for financially strapped customers, means that bill arrears, and bad debts are diminished. Collection costs are reduced as well as connection and reconnection expenses. The Colton data suggests that there is a 25% net back to utilities on this basis alone.

VECC believes it is possible to design and implement a program that addresses issues of affordability that affect connectedness without imposing an undue burden on other ratepayers. We will also address some issues of particular pertinence to VECC constituents.

Eligibility

As with many of the details associated with a potential program of rate alleviation, the choices of the key qualifications for relief are controversial. In VECC's view, the income fixed-credit program based on Low Income Measures (LIMs) that reflect the real energy expenditure experience of financially challenged ratepayers seems an attractive choice. VECC understands that this places a maximum credit ceiling on benefits and only applies to existing bills for minimum consumption. As the LIEN presentation noted, this plan offers the best opportunity to efficiently match benefits with need. For seniors that may have additional expenses for electricity use based on medical conditions, the program must have an opportunity to have the increased usage recognized as part of the minimum eligible for support. While the correct percentage associated with affordability may be a subject of debate, as Mr. Colton has noted, the concept of affordability connotes a range rather than a fixed target.

Of particular concern to VECC is the inclusion of tenants subject to submetering that may fall through the cracks of a program geared to a meters- only approach to eligibility. Stakeholders are already wrestling with the consequences of having landlords making conservation (or non-conservation) choices based on the fact that are of little consequence to them because of the pass through of costs to sub-metered tenants . This may involve imposition of obligations on the principals associated with metering operations, and/or may require some mechanism of self-declaration by the affected tenants.

Intake and Outreach

As Mr. Colton noted these are two separate concepts that are interrelated by the necessity of the latter inducing the former. It is clear that the utilities themselves want to be the recipient of information on eligibility rather than any adjudicator of the same. VECC does believe that social agencies exist that are capable of providing the necessary scrutiny of applications for rate relief, VECC is concerned that the numbers of potentially eligible ratepayers that were discussed in the forum may overwhelm the existing networks for referral.
VECC also notes that seniors that have recently become income disadvantaged because of a death of a spouse or financial setbacks may lack the social contacts to groups and agencies that could encourage subscription to a program of rate relief that they qualify for. Extensive outreach with CACs will help reduce the informational lag. VECC also believes that provincial income tax authorities should endeavor to inform potential recipients about the existence of a rate relief program at appropriate times.

Conclusion

The conservation and demand reduction programs first adopted in 1990s by natural gas utilities probably offer the best argument against trying to find the perfect program in terms of outreach, eligibility and cost before implementing the same. Review and superintendence by the Board will ensure that the obvious gaps are filled or abuses are ultimately remedied. VECC believes that the final result will address affordability concerns but will not isolate recipients from the rewards and burdens inherent in the current system of electricity regulation. There should also not be any ambivalence among stakeholders and the regulator towards future general rate increases based on the existence of the proposed program. Finally, In VECC's view, given the increased expenses currently being requested by electric distribution utilities for collections of accounts in ongoing rate applications, there will be benefits that should partially offset the increased costs of the same when this program is implemented.

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