



## **LOW-INCOME ENERGY NETWORK**

# **LIEN and the low-income energy burden in Ontario**

January 18, 2005 workshop

*Building Partnerships for Energy Conservation*

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# Presentation overview

1. Background - electricity restructuring in Ontario
2. Low-income Energy Network (LIEN)
  - low-income energy burden
  - energy use and the environment
  - how LIEN got started - environmental, poverty and housing advocacy groups find common ground
3. Building LIEN's partnership
4. Accomplishments
5. Future challenges and goals

# Background - electricity restructuring

- ◆ *Energy Competition Act, 1998* restructures Ontario's electricity system and sets framework for the opening of competitive electricity market on May 1, 2002
- ◆ Electricity costs rise - consumer backlash prompts Conservative government to introduce price cap of 4.3¢ per kWh effective December 1, 2002 to at least 2006
- ◆ Liberals promised to keep this price cap when campaigning, but announce on October 30, 2003 that it wants a price regime that "better reflects the true cost of electricity"

# Background - electricity restructuring

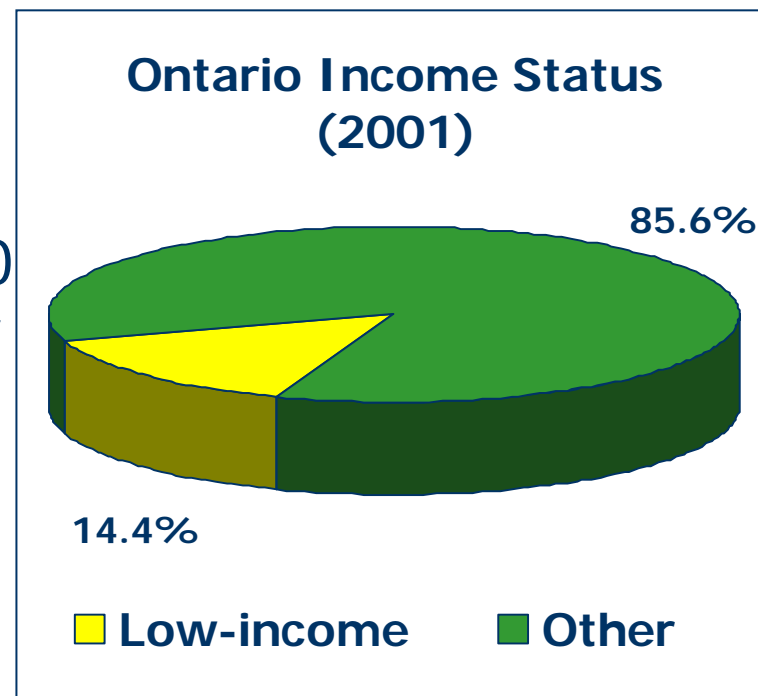
- ◆ In November, 2003, Liberals introduce legislation for new interim price caps to go into effect as of April 1, 2004 - 4.7¢ per kWh for the first 750 kWh and consumption above that level priced at a higher rate of 5.5¢ per kWh
- ◆ New interim price plan in place until Ontario Energy Board develops new pricing mechanism to be in place no later than May 1, 2005

# Low-income energy burden

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

# Low-income energy burden

- ◆ 14.4% of Ontario's population (1,611,505 persons, estimated 810,000 households) are living at or below the "poverty line".
  - The majority of these persons live in tenant households.



Source: Statistics Canada,  
Census of Population

# Before-Tax Low-Income Cut-Offs (LICOs), 2003

Family Size	Population of Community of Residence				
	500,000 +	100,000 – 499,999	30,000 – 99,999	Less than 30,000	Rural
1	\$19,795	\$16,979	\$16,862	\$15,690	\$13,680
2	\$24,745	\$21,224	\$21,077	\$19,612	\$17,100
3	\$30,774	\$26,396	\$26,213	\$24,390	\$21,268
4	\$37,253	\$31,952	\$31,731	\$29,526	\$25,744
5	\$41,642	\$35,718	\$35,469	\$33,004	\$28,778
6	\$46,031	\$39,483	\$39,208	\$36,482	\$31,813
7 +	\$50,421	\$43,249	\$42,947	\$39,960	\$34,847

**Source:** Canadian Council on Social Development using Statistics Canada's LICOs

## Low-income energy burden

- ◆ In 2003, Ontario households in the lowest income quintile spent 45% of their pre-tax income on shelter, including utilities - more than triple the proportion as those households in the highest income quintile that spent 14%
- ◆ Low-income households are particularly vulnerable to increases in shelter and utility costs - difficult to absorb, could put housing in jeopardy

# Housing affordability

- ◆ 42% of Ontario tenant households (564,735) pay 30% or more of their household income on shelter costs (including utilities).
- ◆ 20% of Ontario tenant households (265,995) pay 50% and over of their household income on shelter costs (including utilities).
- ◆ The risk for homelessness increases where shelter costs consume more than 50% of pre-tax household income for a tenant household.

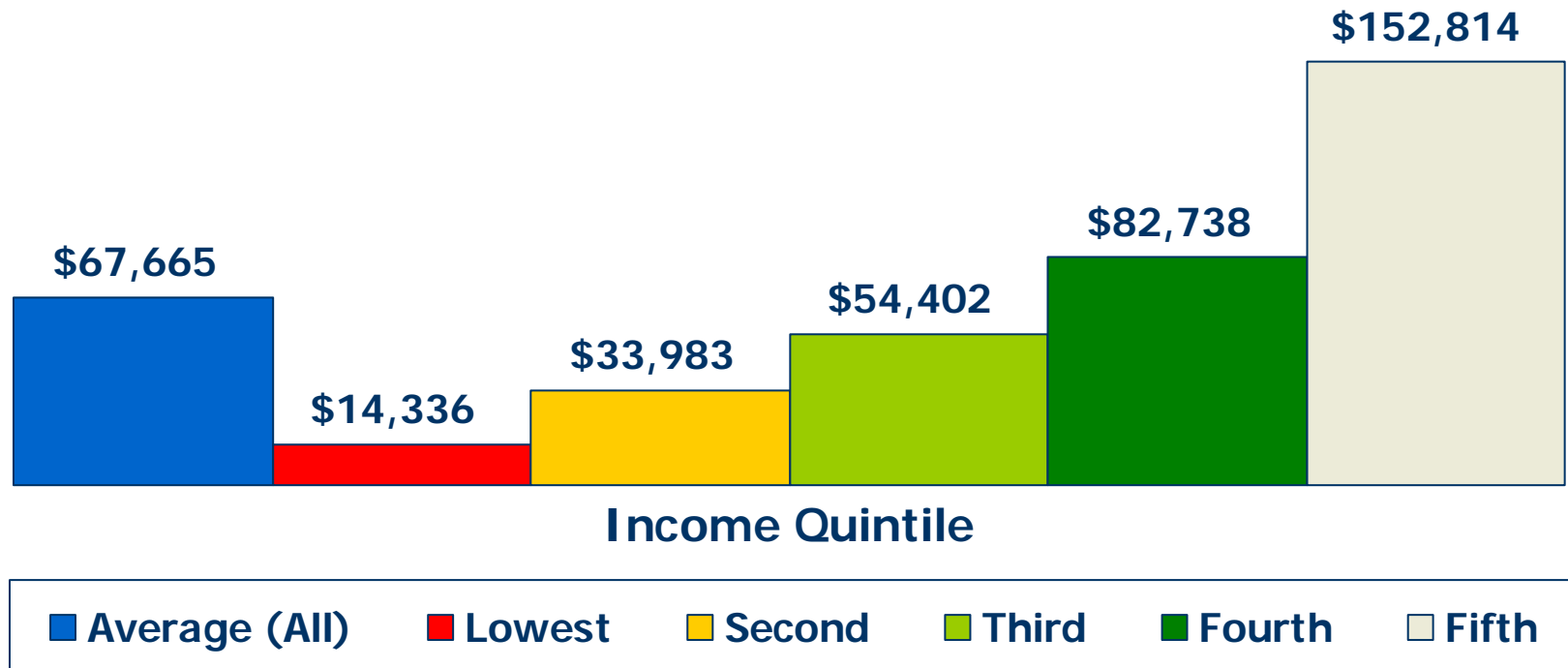
## Low-income energy burden

- ◆ On electricity alone, Ontario households in the lowest income quintile spent 6.13% of their pre-tax income in 2003, nearly five times more than households in the top quintile that spent 1.04%.
- ◆ The typical low-income family in Ontario has only a \$200 “cushion” to buffer income interruptions or deal with unexpected expenditures.
- ◆ Share the Warmth’s experience shows that high energy costs are the second reason for economic evictions in Ontario, right after unaffordable rents.

## Low-income energy burden

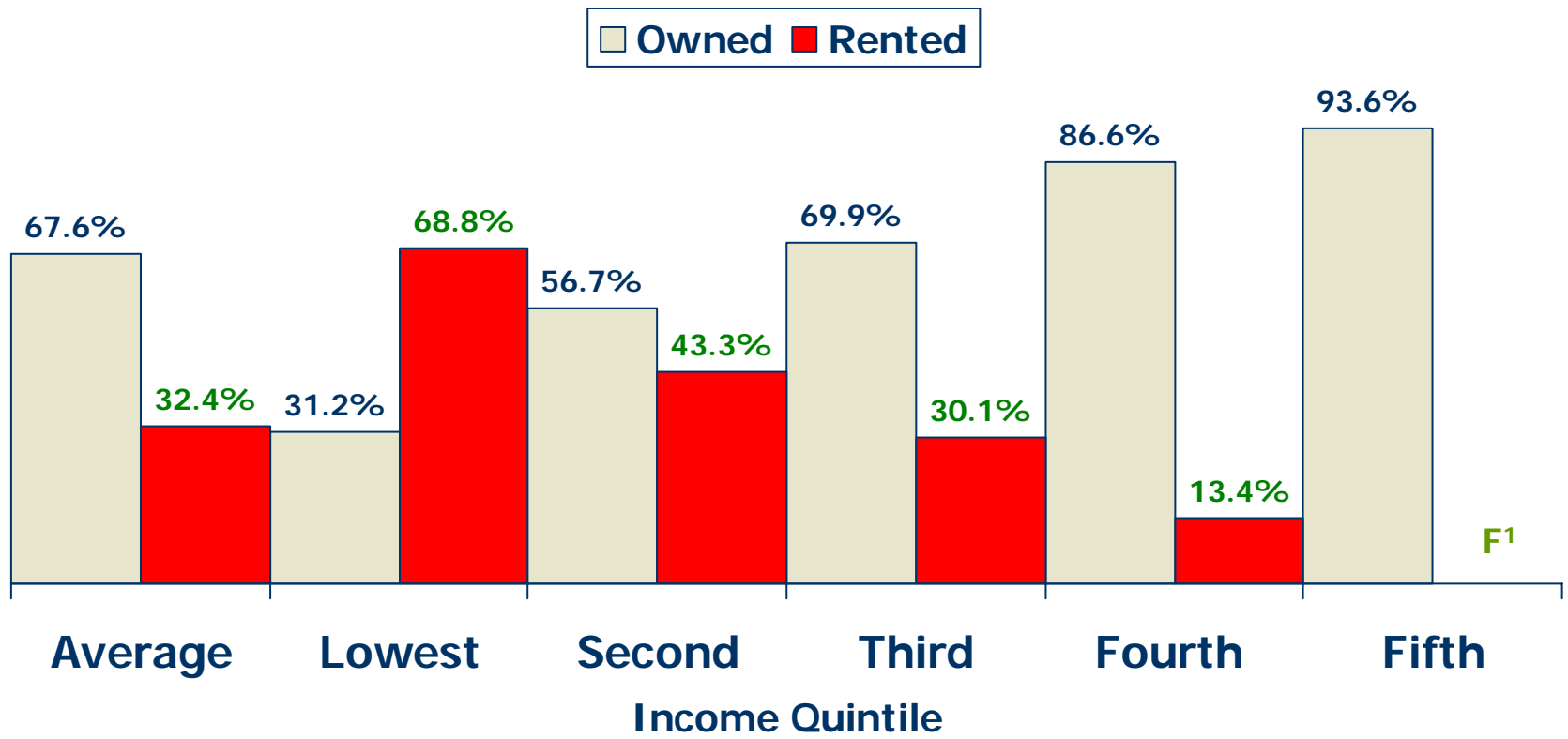
- ◆ The lowest household income quintile in Ontario has a far greater proportion of households that:
  - have electric heating as their principal heating equipment (27% compared to 14% for the average income household and a number too unreliable to be published for the highest quintile)
  - use electricity as principal heating fuel (31% compared to 9% for the highest quintile)
  - use electricity as principal heating fuel for hot water (42% compared to 18% for the highest quintile).

# Average Ontario Household Pre-Tax Income



Source: Survey of Household Spending 2003, Statistics Canada.

# Housing tenure in Ontario

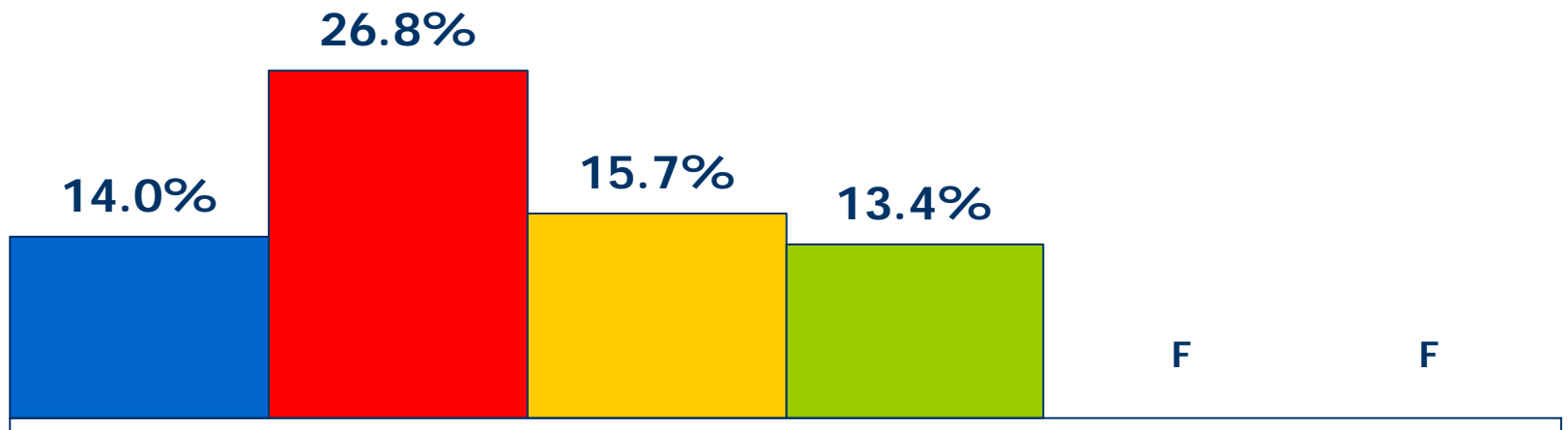


Source: Survey of Household Spending 2003, Statistics Canada.

<sup>1</sup> "F" is defined as "too unreliable to be published".

# Principal Heating Equipment

## Electric Heating

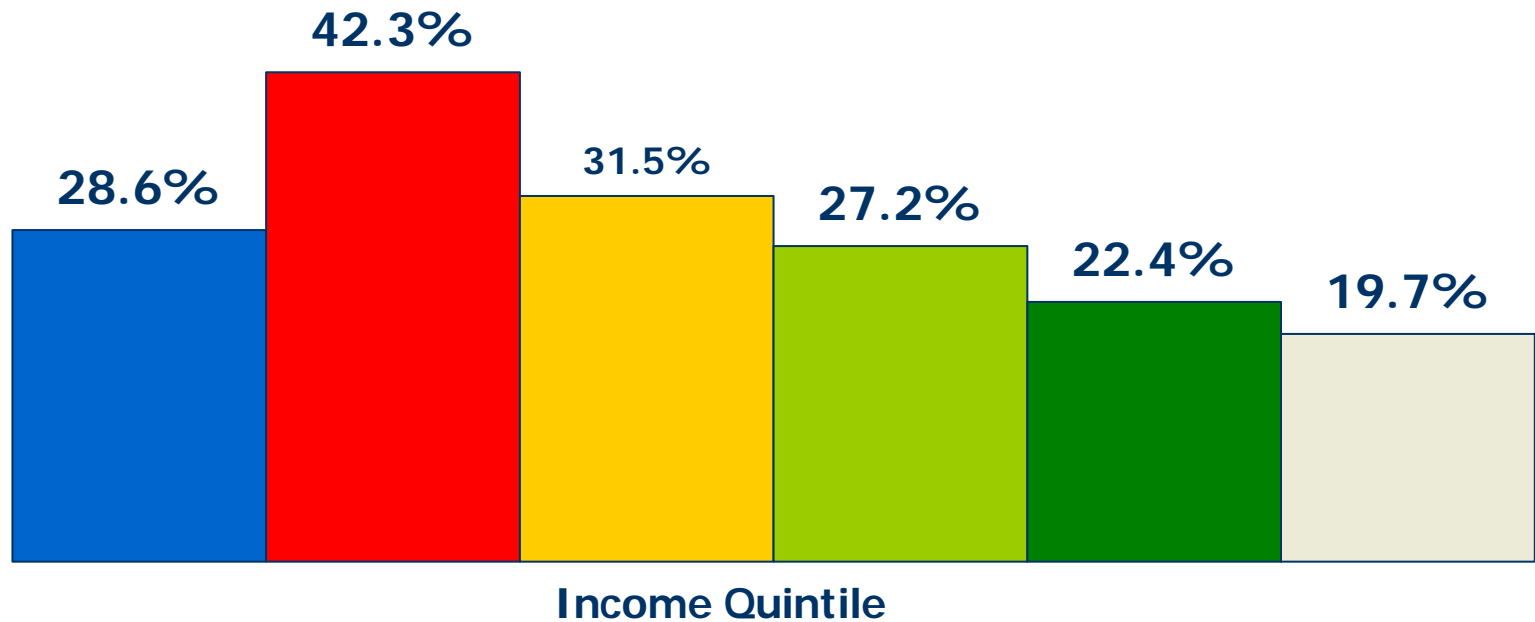


### Income Quintile



Source: Survey of Household Spending 2003, Statistics Canada.

# Electricity as Principal Heating Fuel for Hot Water



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

Source: Survey of Household Spending 2003, Statistics Canada.

## Low-income energy burden

- ◆ Electricity bills for an average residential customer consuming 1000 kWh per month currently range across the province from \$87 to \$124 per month.
  - For a single mother with two children on social assistance, this represents 16% to 22% of her maximum shelter allowance of \$554.
  - For a single person working 35 hours a week at minimum wage (\$7.15) this represents 8% to 11% of this worker's total monthly pre-tax income of \$1084.42.

# Rising energy prices and low-income consumers

- ◆ Higher electricity costs will increase the energy burden on low-income people who are already struggling to make ends meet.
- ◆ Cost of oil and natural gas also rising.
- ◆ For many low-waged workers and people on social assistance and other income security programs, it will mean choosing between heating and eating and paying the rent.

# Energy use and the environment

- ◆ Electricity generating stations are big polluters.
  - 20% of greenhouse gases
  - 15 – 23% of smog-causing pollutants
  - Radioactive wastes we don't know how to deal with
  - 31% of electricity used by residential sector
- ◆ Home heating (natural gas and oil) responsible for 9% of greenhouse gas emissions in Ontario.

# Energy conservation and low-income consumers

- ◆ Conservation and energy efficiency are the cheapest, cleanest solution to energy crunch.
  - More efficient use of energy reduces pollution and energy bills
  - Toronto Community Housing retrofits: permanent 35 – 40% reduction in energy use / more comfortable homes
- ◆ Challenge: environmentalists sometimes call for higher prices to spur conservation, but higher prices disproportionately affect low-income consumers who face barriers to investing in energy efficiency/conservation

# Barriers to conservation for low-income consumers

- ◆ Typically live in older, drafty/poorly insulated buildings with inefficient appliances & heating system
- ◆ Lack of capital to invest in insulation, new appliances.
- ◆ Renters face split incentives:
  - don't own building/ appliances so can't benefit from long-term investment;
  - landlord can pass on higher energy costs
- ◆ Apartment buildings: may not even have thermostat
- ◆ Proposals to sub-meter won't overcome these barriers, while landlord has even less incentive to invest in conservation/efficiency

# 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
  - 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)
  - Following October 30th announcement of electricity rate cap review, ACTO, Income Security Advocacy Centre and Community Social Planning Council-Toronto submit comments & recommendations to Energy Minister regarding impact of higher electricity prices on low-income consumers

## 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 bringing proposals to provincial government on environmentally sustainable solutions to the energy supply/demand crunch in Ontario (with focus on conservation, energy efficiency and renewable energy sources)

## How LIEN got its start (3)

- ◆ Michael Shapcott (Toronto Disaster Relief Committee, U of T Center for Urban and Community Studies and TEA board member) and Edward de Gale (STW) organize 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 is 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)

- ◆ LIEN recommends:
  - Direct energy assistance for those unable to absorb the higher cost of power or those in emergency circumstances.
  - Conservation programs that lower bills and reduce pollution by making the homes of low-income households more energy efficient.
- ◆ On March 29th, government announces \$2 million Emergency Energy Fund

## How LIEN got its start (5)

- ◆ 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 (now over 40, with more to come)

# 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.

## Building LIEN's partnership

- ◆ Accessing funding for: research & reports, LIEN co-ordinator, Ontario Energy Board interventions, web site, policy development
- ◆ Sharing expertise, information and contacts - credibility already established by LIEN members
- ◆ Role of IndEco
- ◆ Media interest in low-income perspective
- ◆ Involving gas and electricity utility companies

# LIEN's accomplishments

Getting low-income consumer issues on the radar of the government, local electrical utilities, the regulator (OEB), the media, the public

“Since the proposed plan would not take effect until April, consumers would have a chance to take conservation measures, reduce their consumption levels, and therefore, limit the impact of the price change on their electricity bill.” Nov. 25/03 - Min. of Energy news release

“Although the impact of the April 1 energy price hike is expected to be minimal, the government recognizes that even a small change in energy costs can have a significant impact on low-income households.” March 29, 2004 - ComSoc backgrounder

# LIEN's accomplishments

- ◆ *Low-income energy conservation and assistance* - report on overall model for a program submitted to Ministers Dwight Duncan and Sandra Pupatello in April 2004, with follow up meeting with their policy advisors
- ◆ Oral depositions at committee hearings on Bill 100, *Electricity Restructuring Act, 2004*
- ◆ Oral and written submission to OEB's proceeding on Unpaid Electricity Charges
- ◆ Participating in OEB's development of new Regulated Price Plan
- ◆ Development, with stakeholders, of recommendations/report - *Low-income energy conservation program* - for inclusion in Toronto Hydro's and other LDCs' CDM plans for 2005

# LIEN's challenges and goals

- ◆ Finding time (& funding) to participate in LIEN activities in addition to network members' regular work demands - keeping the momentum going
- ◆ Continuing to lobby for implementation of LIEN recommendations - working with government, OEB and LDCs to address affordable energy needs of low-income consumers - short-term and long-term goals
- ◆ Addressing 2nd phase of low-income energy conservation program for tenants who pay for utilities in their rent - complicated, provincial government and landlords keen to move on sub-metering of multi-residential rental buildings
- ◆ Linking efforts on a national level, i.e. National Affordable Housing Energy Efficiency strategy

# Partnering with LIEN

- We want to develop and implement a comprehensive, workable low-income energy conservation and assistance program in Ontario.
- If you support LIEN's mandate and goals, please join us.
- Conference planned for March to develop next steps.
- Contact Toronto Environmental Alliance at 416-596-0660 for more details.



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**Thank You**

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