



LOW-INCOME ENERGY NETWORK

Regulated Price Plan for Electricity Consumers
(RP-2004-0205) - initial OEB consultation session
September 10, 2004

**Regulated Price Plan and low-income
consumers**



LOW-INCOME ENERGY NETWORK

LIEN was formed in early 2004 by:

- ◆ Advocacy Centre for Tenants Ontario (ACTO)
- ◆ Canadian Environmental Law Association (CELA)
- ◆ Community Social Planning Council of Toronto
- ◆ Income Security Advocacy Centre (ISAC)
- ◆ Toronto Disaster Relief Committee
- ◆ Toronto Environmental Alliance (TEA)
- ◆ Share the Warmth (STW)

Background

- ◆ LIEN was formed to:
 - raise awareness of energy burden facing low-income consumers, the impact of the April 1st electricity rate cap hike (and move to price reflecting true costs)
 - suggest solutions
- ◆ Building on this initial work, we want to work with governments, the OEB, local utilities, community groups and the public:
 - to develop and implement a comprehensive and detailed strategy/programs for low-income energy conservation and assistance.

Mission Statement

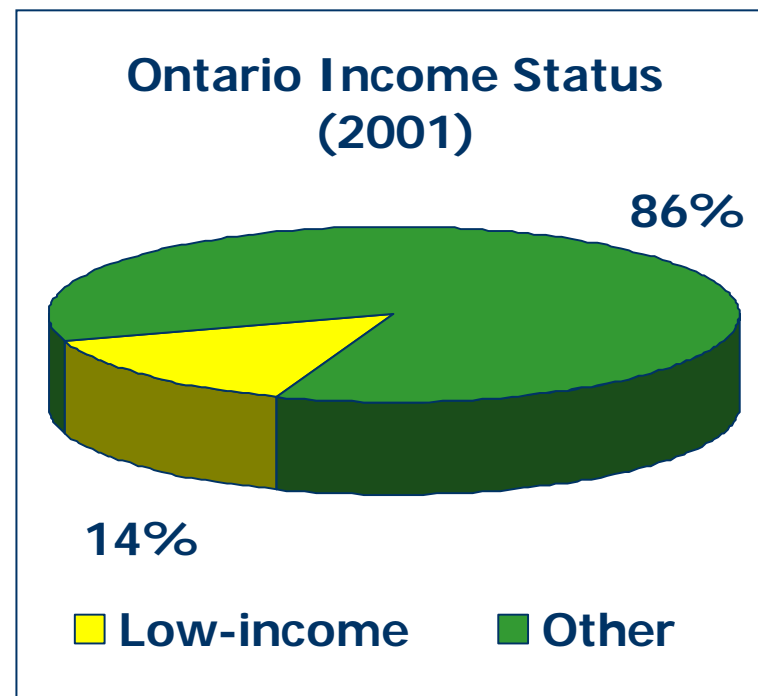
- ◆ The Low-Income Energy Network:
 - aims to ensure universal access to adequate energy as a basic necessity, while minimizing the impacts on health and on the local and global environment of meeting the essential energy and conservation needs of all Ontarians.
 - promotes programs and policies which 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.

Regulated Price Plan and low-income consumers

- ◆ Electricity and heat are basic necessities and universal, non-discriminatory access to these services must be ensured for all Ontarians.
- ◆ In line with its consumer protection mandate, the OEB should examine and directly address the disproportionate energy burden of low-income residential electricity consumers in the development of the RPP.

Low-income energy burden

- ◆ 14.4% of Ontario's population (1,611,505 persons) 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 2002, Ontario households in the lowest income quintile spent 44% of their pre-tax income on shelter, including utilities - more than triple the proportion as those households in the highest income quintile that spent 13%
- ◆ 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

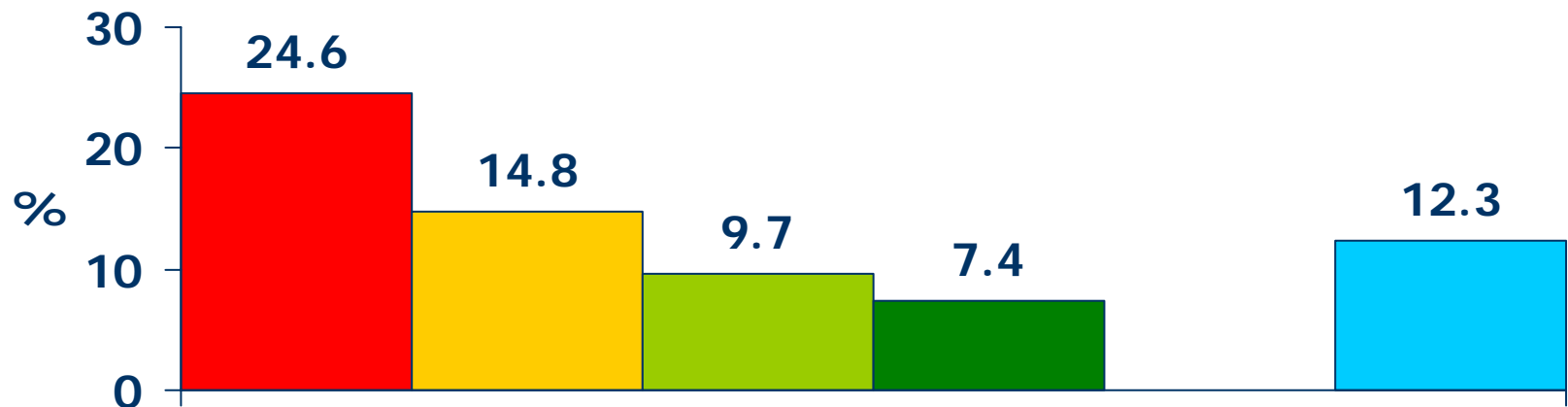
- ◆ On electricity alone, Ontario households in the lowest income quintile spent 6% of their pre-tax income in 2002, nearly five times more than households in the top quintile that spent 1.04%.
- ◆ The typical low-income family has only a \$300 “cushion” to buffer income interruptions or deal with unexpected expenditures.

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 (24.5% compared to a number too low to report for the highest quintile)
 - use electricity as principal heating fuel (27% compared to 8.3% for the highest quintile)
 - use electricity as principal heating fuel for hot water (36.3% compared to 18.7% for the highest quintile).
 - have principal heating equipment more than 10 years old (64.5% compared to 52.6% for the highest quintile)

Principal Heating Equipment

Electric Heating



Income Quintile

■ Lowest ■ Second ■ Third ■ Fourth ■ Highest ■ All

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.

Regulated Price Plan and low-income consumers

- ◆ Higher electricity costs will increase the energy burden on low-income people who are already struggling to make ends meet.
- 1. 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.

Regulated Price Plan and low-income consumers

- ◆ The *Low income energy conservation and assistance* report released in April 2004 provides recommendations for an overall model for low-income energy programs in Ontario to address the disproportionate energy burden facing low-income consumers
- ◆ the report includes an overview of programs aimed at making energy more affordable to low-income consumers

Regulated Price Plan and low-income consumers

- ◆ In development of the RPP, the OEB should consider bill assistance programs to make it easier for low-income consumers to pay their bills on an ongoing basis, such as:
 - fixed percentage discount
 - fixed dollar amount reduction
 - variable discount where the discount is reduced as consumption level increases
 - percentage of income payment plan (PIPP)

Regulated Price Plan and low-income consumers

- ◆ The OEB should develop the RPP within a broader regulatory context which includes:
 - direct financial assistance for low-income consumers to deal with higher electricity prices and keep energy burden at a manageable level
 - a no cut-off policy for heating and electricity service for low-income consumers during the heating season as well as for seniors and other vulnerable households during the cooling season
 - energy efficiency and conservation programs targeted specifically to low-income consumers to reduce electricity consumption and expenditures on a sustained basis



Thank You