



LOW-INCOME ENERGY NETWORK

**LIEN, the low-income
energy burden in Ontario
and the impact of non-action**

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, anti-poverty and affordable housing advocacy groups find common ground
4. Accomplishments
5. Future challenges and goals
6. Impact of non-action

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

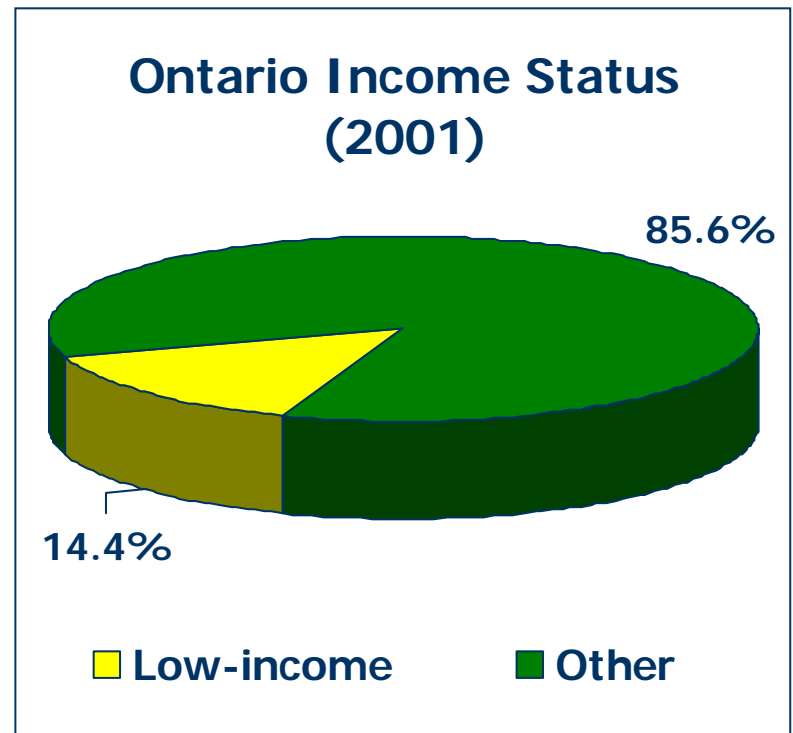
- ◆ In November, 2003, Liberals introduce legislation for new interim price caps to go into effect as of April 1, 2004 - 4.7¢ per kWh for the first 750 kWh and consumption above that level priced at a higher rate of 5.5¢ per kWh
- ◆ New interim price plan in place until Ontario Energy Board develops 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, and in the private rental market



Source: Statistics Canada, 2001 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	< 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.

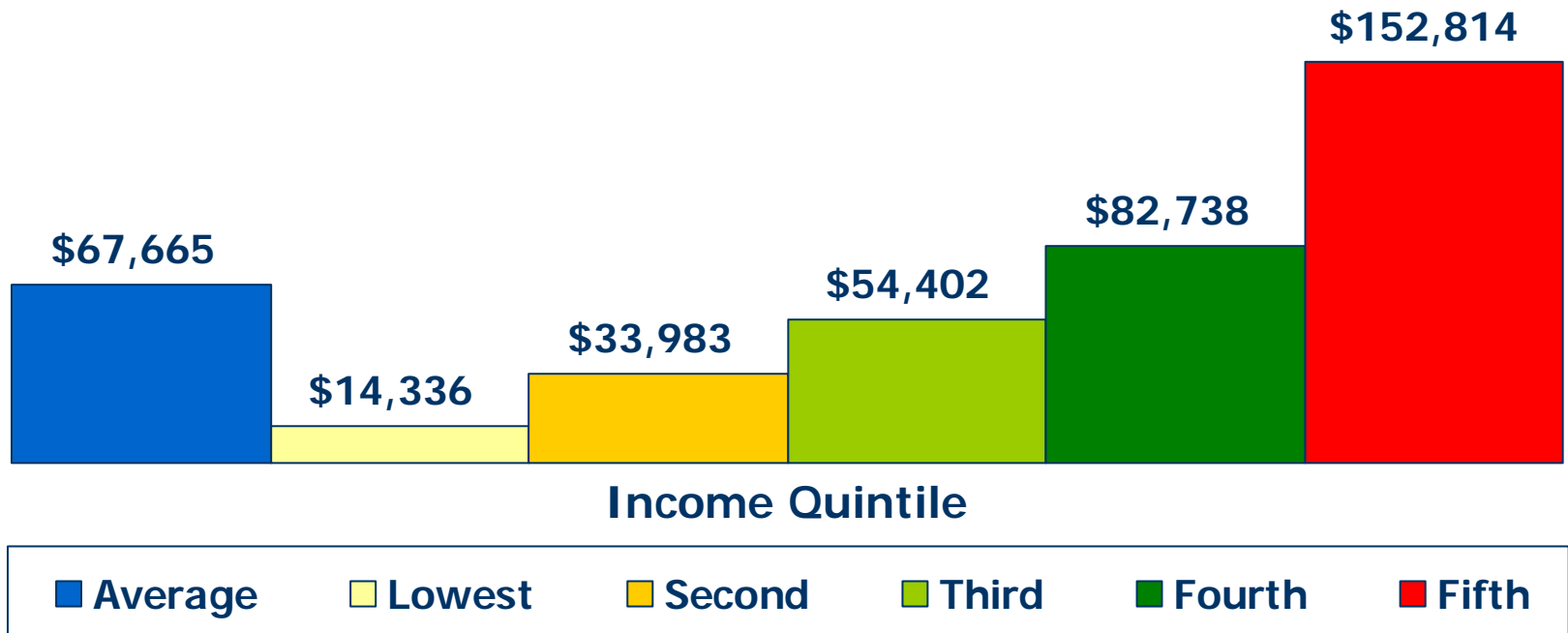
Low-income energy burden

- ◆ On electricity alone, Ontario households in the lowest income quintile spent 6.13% of their pre-tax income in 2003, over 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

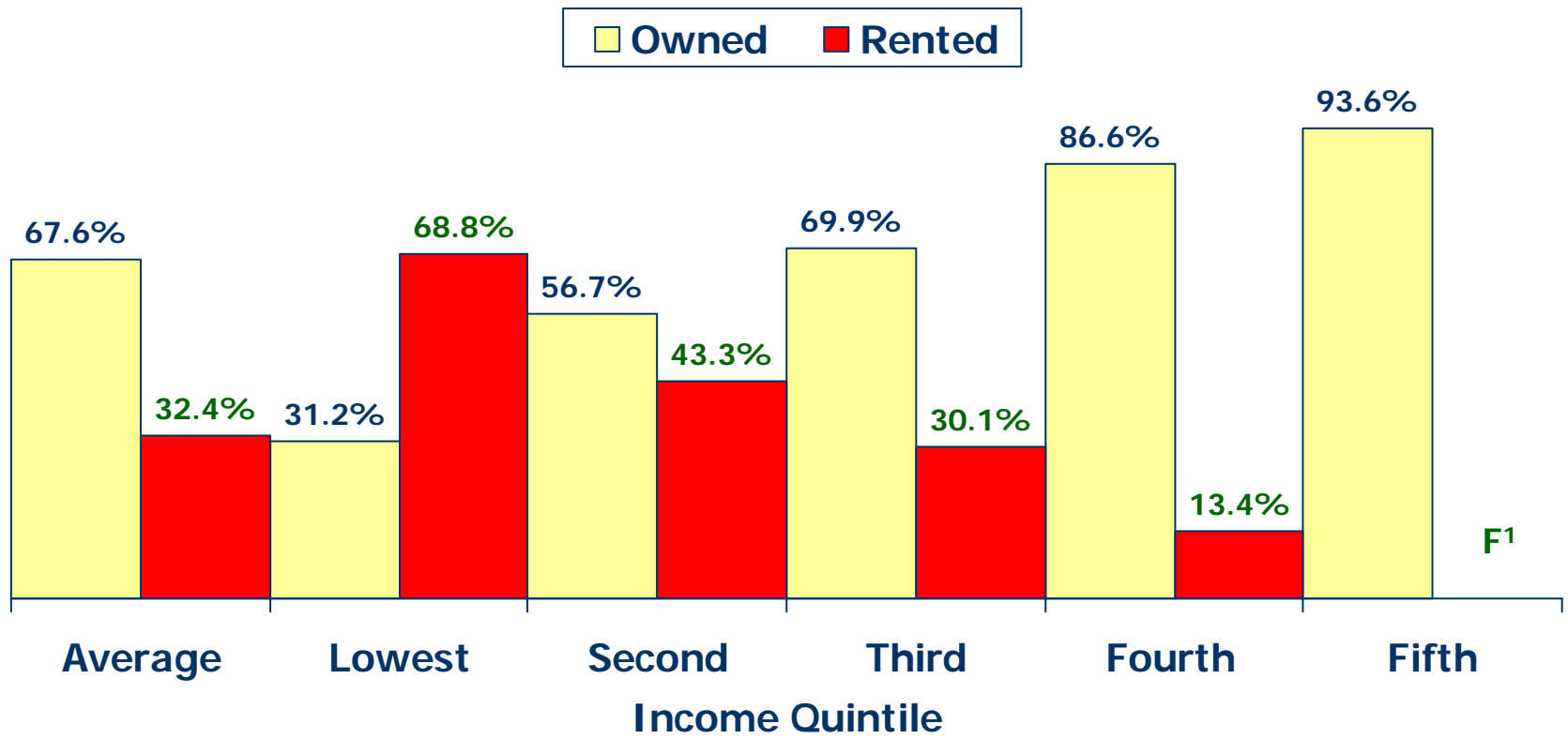
- ◆ The lowest household income quintile in Ontario has a far greater proportion of households that:
 - have electric heating as their principal heating equipment (27% compared to 14% for the average income household and a number too unreliable to be published for the highest quintile)
 - use electricity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

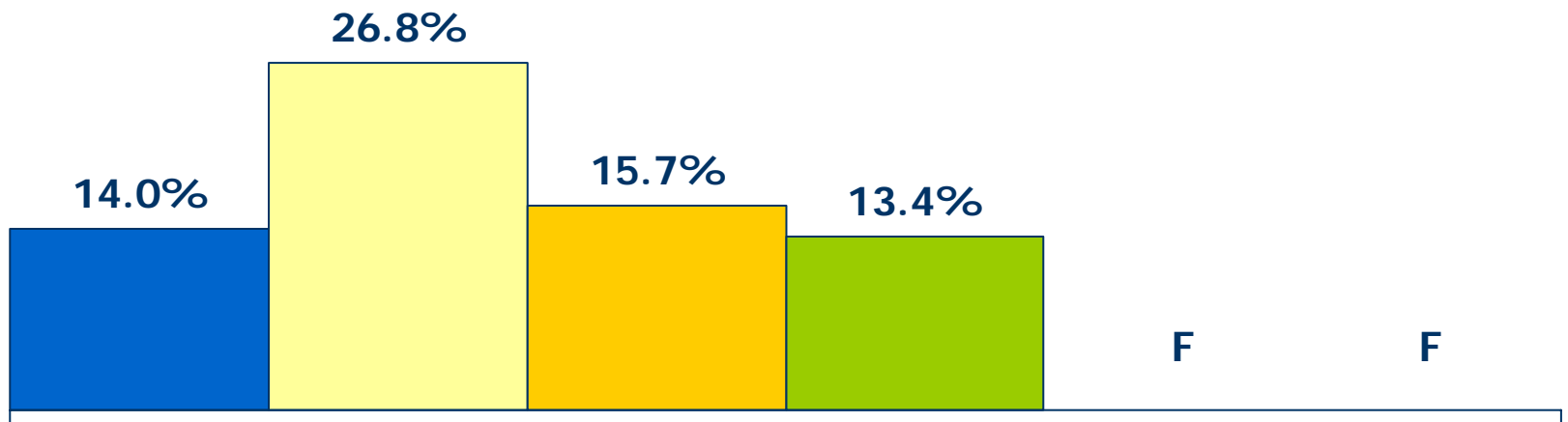
Housing tenure in Ontario



Source: Survey of Household Spending 2003, Statistics Canada
¹ "F" is defined as "too unreliable to be published"

Principal Heating Equipment

Electric Heating

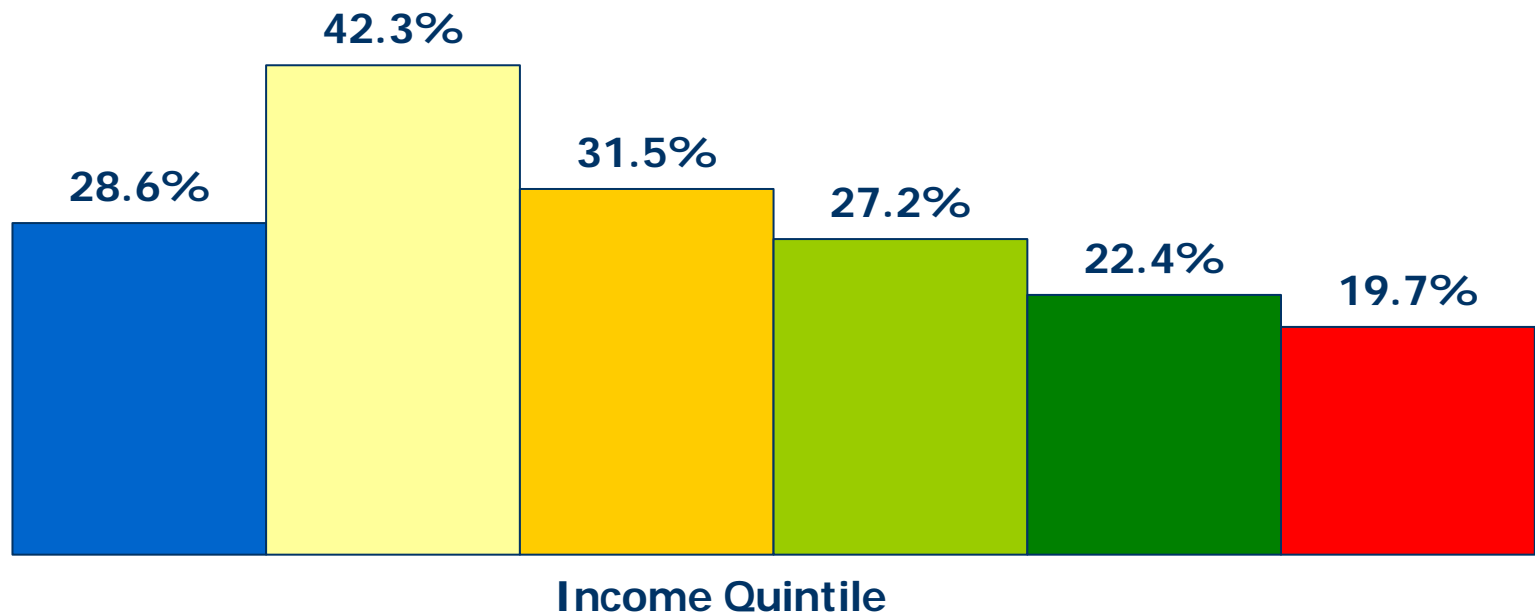


Income Quintile



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.
- ◆ If they reduce their energy use, it may be at the expense of socially acceptable standards of living.

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 (electricity, natural gas and oil) responsible for 15% of greenhouse gas emissions in Ontario.

Ontario's energy crisis

- ◆ Need to refurbish, rebuild, replace or conserve 25,000 MW of generating capacity by 2020 to meet growing demand while replacing coal-fired generation.
 - Liberals have promised to shut down Ontario's five coal-burning plants (worst polluters) by 2007 and replace them with cleaner sources of energy
- ◆ Represents 80% of Ontario's current generating capacity and requires investment of \$25 to \$40 billion.

Addressing Ontario's energy crisis

- ◆ Government has set targets for conservation, renewable energy, and the overall supply mix in Ontario.
- ◆ Medium-term goals:
 - 5% of Ontario's capacity should come from renewable sources by 2007, 10% by 2010
 - electricity demand should be reduced by 5% by 2007 through "culture of conservation"
- ◆ New Conservation Secretariat to lead efforts; local distribution companies (LDCs) assigned as agents

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 coordinator, 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' C & DM plans for 2005

Low-income energy conservation & assistance

- ◆ Energy conservation program to permanently reduce bills and pollution
- ◆ Bill assistance - ensures energy & housing are affordable
- ◆ Education - about conservation measures and available programs
- ◆ Emergency energy assistance - to help households in crisis. Need for emergency assistance should decrease as permanent measures are put into place

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
- ◆ OEB has urged LDCs to do low-income conservation, but didn't make it mandatory - we need a truly provincial program
- ◆ So far, three utilities are doing programs along the LIEN model, including a \$4.5 million program proposed by Hydro One, and five big utilities are doing energy conservation in social housing

LIEN's challenges and 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
- ◆ Unclear whether **Smart Meter** initiative will meet intended conservation goals - likely result in higher energy costs for low-income households and minimal (if any) environmental benefits (target is to put smart meters into every home by 2010, with an interim target of 800,000 meters in place by 2007)
- ◆ Linking efforts on a national level, i.e. National Affordable Housing Energy Efficiency strategy

Impact of non-action

- Higher energy bills
- Increased levels of poverty
- Increased risk of homelessness
- Reduction in quality of life for low-income households
- Increased pollution

Information about LIEN & its work

- We want to develop and implement a comprehensive, workable low-income energy conservation and assistance program in Ontario.
- Our reports and media release packages can be accessed at the following web sites:
- www.acto.ca
- www.torontoenvironment.org
- www.cela.ca



Thank You