

Low Income Bill Assistance Programs

Financial Assistance Working Group LEAP
OEB

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Agenda:

- I. Direct Energy's low-income programs, Texas, US**
- II. British Gas' fuel poverty programs, UK**
- III. Retailer involvement in Ontario's LEAP program**

I. Direct Energy Low-Income Programs Texas, USA

Texas, USA: Policy Framework

- Retailers bill customers directly and bear bad debt risk
- **No utility “default” commodity rate for electricity users**
- Low Income Telephone and Electric Utilities Program (LITE-UP) - Senate Bill 7
- The Public Utility Commission set up:
 - ❖ *a System Benefit Fund. and*
 - ❖ *a Low-Income Discount Administrator (LIDA)*
 - ❖ *System Benefit Charge = estimated LITE UP budget requirement over projected retail sales of electricity (MWh) (\$0.65 / MWh in 2008)*

Texas: Direct Energy's Low Income Programs

✓ EMERGENCY ASSISTANCE PROGRAMS

- Neighbor to Neighbor
- Fresh start program
- Low income discount (10%)

✓ ENERGY EFFICIENCY PROGRAMS

- Residential Energy Efficiency Program

Emergency Assistance Programs (a)

A. Neighbor-to-Neighbor (N2N)

PRINCIPLE:	<u>voluntary</u> DE contributions
FUNDING:	over \$2.5m since 2003/ \$0.75m in 2008
BENEFICIARIES:	10,000 Texans helped
DONATIONS:	DE customers/bill option/tax deductible
ASSISTANCE:	up to \$300 per month, up to twice per annum
PARTNERS:	32 community action agencies
ELIGIBILITY ONUS:	social/community action agencies
ELIGIB. CRITERIA:	(i) be DE's residential customers; (ii) be responsible for paying their energy expenses (iii) have a genuine financial need

Emergency Assistance Programs (b)

B. Fresh Start Program

FUNDING SOURCE:	settlement \$\$\$ under the rate applications of the two regulated public utilities, AEP TCC and CenterPoint
FUNDING \$\$\$:	AEP TCC – \$1,19 ml, one time funding CenterPoint - \$2.8 ml per annum until 30 June, 2010
DE CO-FUNDING:	voluntary DE contributions/matching 40%* of utilities' funds dedicated to low income consumers <small>*this includes funding dedicated to the N-2-N program</small>
BENEFICIARIES:	7,479 LI customers in the AEP TCC service area in 2008 2,318 LI customers in the CenterPoint service area in 2008
ASSISTANCE:	\$1.4 ml (\$ 0.27ml outstanding in 2008) in the AEP TCC's area 0.85 \$ ml (\$2 ml outstanding due to utility's delayed disbursements) in the CenterPoint's area
PARTNERS:	same as in N-2-N program

Emergency Assistance Programs (c)

C. Low Income Discount (System Benefit Fund)

PRINCIPLE: (i) 10% bill discount applied by retailers to bills of eligible customers;
(ii) retailers compensated for the actual \$\$\$ benefit

FUNDING: legislated system benefit charge accruing into a centrally administered System Benefit Fund

AGENCY: Low Income Discount Administrator, LIDA, established by the PUCT for the purpose of SBF administration

ELIGIBILITY: customers at or below 125% of the federal poverty level, or recipients of benefits from the Department of Human Services (DHS): such as food stamps, temporary assistance to needy families (TANF), Medicaid or low-income Medicare, automatically qualify

PROCESS: (i) retailer submits each month the lists of its residential customers to the LIDA
(ii) the LIDA sends back the lists of eligible customers
(iii) DE applies the 10% discount to bills of eligible customers
(iv) DE gets compensation from LIDA on the actual \$\$\$ amounts

Lessons Learned from the N2N Program

- PARTNERING AGENCIES:** Focus on partnerships with larger social agencies that could be easily identified by low income customers
- CO-ORDINATE FUNDING:** Work with social agencies to co-ordinate other sources of funding (different levels of government, other donors) to enhance assistance to eligible customers, also helps when funds dry up
- REGIONAL DIFFERENCE:** Use a formula to account weighted factors for the poverty levels and population density in different areas (in Texas we used a formula developed by the Texas Department of Housing & Community Affairs (TDHCA))
- PAYMENT FREQUENCY:** Social agencies receive funding twice a year, make pledges to customers on daily basis and send checks to us on monthly basis.

II. British Gas Fuel Poverty Programs UK

II. UK: Policy Framework – fuel poverty

- Energy market fully deregulated: no default supply rate since 1998
- Fuel Poverty Strategy 2001, Overarching goal: to eliminate fuel poverty for vulnerable households by 2010 and for all households by 2016
- Fuel poverty households: *“spending more than 10% of income on energy to keep their home to an acceptable warmth level (+ 21C in the main living areas and +18C for other rooms)**
- Funding: commitments from the government and the private sector
- private commitments voluntary: NO regulated “social tariffs”
- Private Suppliers negotiated two sets of energy efficiency funding streams with the UK Office of Gas and Electricity Markets (OFGEM) :
 1. Energy Efficiency Commitment (EEC) and
 2. CERT (Carbon Emissions Reduction Target) obligations

**Note: UK has an older and less EE housing stock compared to ON*

UK Fuel Poverty Programs

- ***Carbon Emission Reduction Target (CERT) program***
 - ✓ 2008-2011 - £ 2.5 million, twice the previous period's budget
 - ✓ free insulation and energy efficiency advice from the energy supplier to its eligible customers
 - ✓ up to £200 per year in bill savings per beneficiary

- ***Winter Fuel Payments (WFP)***
 - ✓ Emergency assistance bill payment for people aged 60 and over in winter months
 - ✓ The payments are made through the U.K. Department of Work and Pensions Benefit:
 - ✓ £200 per year for qualifying households, or £300 for beneficiaries over 80
 - ✓ Plus an automatic Cold Weather Payment of £8.50 from the Social Fund for each week of very cold weather.

- ***Community Energy Efficiency Fund***
 - ✓ Innovative weatherization services/ "Whole House" approach
 - ✓ Budget £6 million to reach 600,000 households in England over the next three years
 - ✓ disbursed through 50 community projects
 - ✓ a cost effective way of delivering EEC/CERT and Warm Front on a local basis.

- ***Keep Warm Keep well – education campaign***
 - ✓ information on the health benefits of keeping warm in winter
 - ✓ One stop info shop on available energy bill assistance/EE programs, grants and benefits

“Essentials” Eligibility Criteria

Receipt of at least one of the following benefits:

- Disability living allowance
- Pension credit
- War disablement pension, which includes either a mobility supplement or constant attendance allowance
- Disablement pension, which includes constant attendance allowance
- Child tax credit where the relevant income is £14,600 or less
- Working tax credit, where the relevant income is £14,600 or less
- Council tax benefit
- Housing benefit
- Income support
- Income-based job seekers allowance
- Carers allowance
- Severe disablement allowance

British Gas' Low-Income Programs

Note: Centrica is DE's and British Gas' parent company

“British Gas has made the most significant voluntary commitment to measures reducing the impact to fuel poverty... nearing the double the level that would be expected from its market share in the UK”

Energy Watch review, 2008

- **“Essentials” tariff**
- **“Essentials Extra” tariff (+ free EE measures)**
- **Winter Warmer package – 25,000 most vulnerable elderly customers- two winter rebates totalling up to £150 (£60 + £90)**
 - ❖ *free loft and cavity wall insulation, plus a credit of £90 and a Warmer Homes pack, including energy efficiency advice*
- **British Gas Energy Trust (£10 million over 4 years) - £££ grants and free energy efficiency advice**

British Gas Special Tariff: “Essentials”

LAUNCHED: Feb 2007

TARGET: 750,000 of vulnerable customers, particularly those on prepayment meters

TOTAL FUNDING: a **voluntary commitment** of £32 m/annum or £140 per annum in average savings/customer

STRUCTURE: The tariff was the equivalent to Centrica’s lowest “direct debit” tariff rates, irrespective of the payment method

Note: “Direct Debit” was Centrica’s cheapest standard rate for energy, but was not accessible to people who do not have a bank account or who use other methods to pay for their energy

DELIVERY: Social agencies helped to identify eligible customers

British Gas Essentials EXTRA, June 2008

POLICY CHANGE:	<i>OFGEM</i> announces new definition of social tariffs Essentials does not qualify (as Centrica's internet tariff is its cheapest tariff)
NEW PROGRAM:	New "Essentials Extra" launched
STRUCTURE:	Tariff relief plus delayed price rise until April 09, plus a Home Energy Audit plus Energy Efficiency measures
CHALLENGE:	Unprecedented surge in customer's interest (from 230,000 to 530,000 in just 4 months)
RESULT:	Essentials Extra closed to new customers on October-08. Program cost estimated to top £90m per annum or roughly three times Centrica's spending commitment to the UK Government (£35m)
NEXT STEPS:	Review of the one-size-fits-all approach, review long term fuel poverty and vulnerability strategy

III. Retailer involvement in Ontario's LEAP program

III. Ontario: Policy Framework

- Cost flow-through default supply rates for both power and gas
- Utilities currently bill most retail customers and bear bad debt risk
- Retailers (power) and marketers (gas) pay charge to utilities for bad debt costs
- Retailers provide customer care services and interact with millions of customers across the Province
- Most retailers currently have policies to assist with low income, seniors and English as a Second Language customers
- Many have vulnerable customer strategies

Retail Participation in LEAP funding

Recommended framework for Ontario:

- As competitive retailers have no direct way to recover the costs of the low income program, any contribution should be voluntary
- Retailers should be able to determine the size of the contribution
- Retailers could make their contribution directly to the utilities but they should also be allowed to work directly with an appropriate social agency of their choosing to fulfill their commitment
 - ❖ *Retailer contributions to these programs should be recognized if the contributions go directly to the utilities*
- Retailers should be able to make their contributions through a combination of financial or energy efficiency services
- For retailers who contribute to the program, a review of bad debt charges may be possible as contributions should reduce these costs to distributors