

Briefing Note

Affordability Fund – Overview

ISSUE:

On March 2, 2017, the government announced the establishment of an Affordability Fund as part of its Fair Hydro Plan. The purpose of this note is to communicate the intent of the Fund, who is expected to be eligible to receive energy efficiency measures through the Fund, and which measures customers can expect to receive.

SUGGESTED MESSAGING:

- **The Affordability Fund is intended for electricity customers who do not qualify for the Save on Energy Home Assistance Program, and who are unable to undertake energy efficiency improvements without financial assistance.**
- **The Affordability Fund will support direct installation of energy efficiency measures in homes to eligible electricity customers to help reduce their future electricity bills.**
- **The Affordability Fund is an extra tool for electricity distributors to assist customers who are in need.**
- **The Affordability Fund will be managed by an independent Trust and is expected to be available for electricity distributors to begin applying for funds later this summer.**

SUMMARY

Overview & Purpose

- Electricity distributors and other stakeholders indicated to the government that there was an immediate need to help customers in bill arrears and facing service disconnection.
 - LDCs reported to the OEB that approximately 60,000 customers were disconnected in 2015.
 - LDCs also reported over 560,000 residential electricity accounts in arrears in 2015; of these, about 19,900 (~3.6%) accounts were eligible to participate in the Low-Income Energy Assistance Program, which provides emergency financial assistance to low-income customers.
- The Affordability Fund will provide energy efficiency measures to electricity customers who do not qualify for low-income conservation programs (i.e., the Save on Energy Home Assistance Program (HAP)), and who are unable to undertake energy efficiency improvements without financial assistance.
 - Not all customers who are in need are eligible for HAP.
- The Affordability Fund will be administered by an independent Trust, which will provide oversight of funds and facilitate efficient distribution of funds to electricity distributors.

- It is expected that the Trust will seek input from the OEB and stakeholders, including LDCs and representatives of low income organizations, in establishing eligibility criteria and guidance on the funding allocation methodology.
- The province expects quarterly and annual reports to be prepared by the Trust to demonstrate the impact of the province's funding, including a report-back on the criteria used by the distributors to disburse the funds, challenges, lessons learned, amounts distributed, and participant feedback.
- It is expected that distributors will be able to start applying for funds in late summer 2017.
- In its implementation of the Affordability Fund, the independent Trust will be guided by principles which have been outlined in the Transfer Payment Agreement (TPA) between ENERGY and the Trust.

Who is expected to be eligible?

- An appropriate way to refer to the type of customers expected to be eligible is "lower-income."
 - It is expected that individuals receiving funding will have demonstrated a need for financial assistance, and that their electricity bills represent a financial burden relative to their financial resources.
- It is expected that distributors will *target* their customers who are in need.
 - Electricity distributors are best positioned to identify their customers who are in need of assistance, such as those that are in bill arrears, on repayment plans, facing service disconnection, or who are otherwise in frequent contact with a distributor's customer care centre regarding difficulty keeping up with their electricity bills.
 - For these reasons, ENERGY recommends low profile and targeted marketing of the Affordability Fund as opposed to communicating and marketing broadly to all customers.
- Eligible customers must own, rent or lease a home in Ontario, and be an electricity account holder.
- Priority is expected to be given to homes primarily heated by electricity.
- The estimated reach of the Affordability Fund is expected to be 15,000 to 65,000 households, depending on energy efficiency measures and uptake.

What measures are expected to be eligible?

- Eligible electricity customers could receive measures ranging on average from \$3,000 to \$5,000 per customer, at no or minimal cost.
- Measures are expected to be similar to those available in the Home Assistance Program, including energy-saving light bulbs (LEDs), power bars, energy efficient window ACs, refrigerators and insulation.
- Cold climate air source heat pumps, which can cost from \$7,000 to \$13,000, could also be an eligible measure under the Affordability Fund for homes that are electrically-heated.

- The final measure eligibility list will be determined by the Trust. The Trust is expected to consult with distributors, IESO, OEB and low-income program experts to refine participant and measure eligibility rules, and develop an application process for Distributors.

Administration

- The 'Affordability Fund Trust' was established on March 23, 2017, when the Original Trustee signed a Declaration of Trust (drafted by ENERGY, in collaboration with Hydro One). The Original Trustee is Computershare, a professional Trustee company and a trusted partner in some of the largest public and private organizations in Canada and globally.
- On March 24, 2017, ENERGY entered into a TPA with the Original Trustee to flow \$100 million from the tax base to the Affordability Fund Trust.
 - A Board of Trustees will be responsible for administering the Affordability Fund, including disbursing funds to electricity distributors across the province based on an application process and targeted eligibility criteria.
 - The Board of Trustees are to consist of three representatives from separate electricity distributors, two representatives from separate social services agencies. One representative of the Government of Ontario will serve as a non-voting member.
 - An Advisory Committee (including representatives from four LDCs and the IESO) was established in March 2017 by ENERGY for the sole purpose of making recommendations to the Original Trustee regarding individuals to serve on the Board as Trustees.
 - Hydro One has played an important role in facilitating the establishment of the Trust, and will continue to play an administrative support role to the Board of Trustees in the design and launch of the Affordability Fund.
- The current TPA between ENERGY and the Affordability Fund Trust, and the Affordability Fund Declaration of Trust, convey the expectation that Trustees and electricity distributors will acknowledge the financial support of the province in connection with this new funding program, including in any external communications or marketing to electricity customers.
- The Advisory Committee is currently working to finalize its recommendations for submission to the Original Trustee by June 30, 2017. Recommendations include representatives from:
 - Hydro One
 - Thunder Bay Hydro
 - Alectra
 - Ottawa Carleton United Way
 - Neighbour to Neighbour Centre – TBC

AFFORDABILITY FUND: TRANSACTION DIAGRAM

