
2017/18 & 2018/19 ELECTRIC GENERAL RATE APPLICATION

Manitoba Hydro Undertaking #16

Dr. Mason to respond to what other countries have instituted bill affordability programs

Response:

The following response has been provided by Prairie Research Associates:

Overview

The relevant benchmark countries would include members of the OECD (Organization for Economic Cooperation and Development) generally known as the “developed world.” A literature exists on “fuel poverty” in third world countries relating to cooking, but this does not pertain to the situation in Manitoba.

A systematic literature search identified almost 40 articles/reports (published since 2013) pertaining to “energy poverty policy: _” with specific OECD countries and “EU” inserted as qualifiers to refine the searches. The literature on energy poverty policy in OECD countries, divides into three themes:

1. Technical measurement of energy poverty tends to dominate the research.
2. Other research on the Minimum Income Standard (MIS) attempts to estimate the relative contribution of energy costs to the minimum income level needed to survive. In the UK the MIS seems to be more common as a measure of poverty than the LICO.¹
3. Finally, some countries have started to develop explicit policies to address energy costs, either through income supports or rate adjustment. It appears, however that compared to the US, OECD countries and energy companies/utilities have not developed a range of energy rate adjustments to mitigate the impact of rising energy costs. This review focuses on this aspect of energy poverty policy.

United Kingdom (Britain, Scotland, Ireland and Wales)

Given the time constraints, this review focusses on the UK, since searching public services and income support programs requires a command of the language for each country.

¹ An example of an online MIS calculator that identifies a norm for energy costs appears as <http://www.minimumincome.org.uk/>

Local councils (local government) throughout the UK offer similar emergency assistance for energy cost increases. A comprehensive compendium of assistance programs appears at <http://www.billhelp.uk/gas-electricity-help/>.

Local councils work with charities and non-profit organizations to offer “very low income” households a one-time grant (typically in winter) to manage energy bills. This form of support targets mostly those faced with disconnection. Other variants of this program are energy vouchers from Fuel Banks. Like Food Banks, energy companies work in partnership with charities and trusts create a fuel bank to issue these vouchers. (<http://www.billhelp.uk/fuel-banks-vouchers-help-paying-gas-energy-bills/>). Almost 10,000 households in the UK will receive assistance from these programs, and the referral process involves social workers, town councils, food bank, etc.

An example of income assistance programs responding to emergencies triggered by rising energy costs appear below in Figure 1 for the Birmingham City Councils.

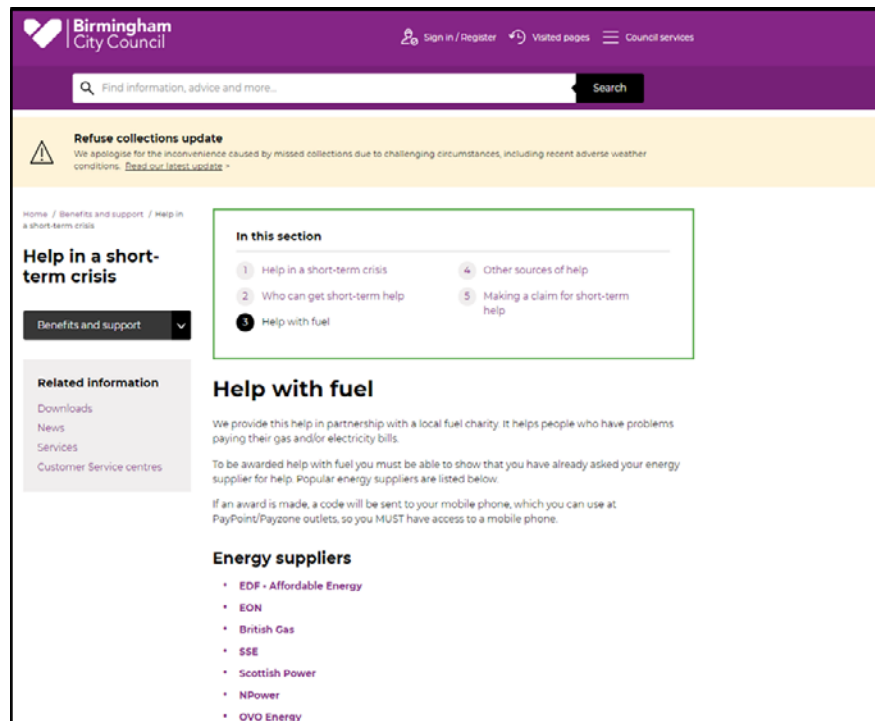


Figure 1: Birmingham (UK) emergency response for fuel costs²

- In addition to one-time grants/vouchers, eligible households may also qualify for permanent subsidies for electricity and gas bills. The same partnership of energy utilities, charities, and trusts forms the financial basis for these subsidies.

² https://www.birmingham.gov.uk/info/20017/benefits_and_support/308/help_in_a_short-term_crisis/3

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- Warm Home Discount Scheme is a government (UK) program that offers a one-time credit of £140 (\$238 Cdn). This can be on top of any other energy cost subsidies.
 - Cold Weather Payment Scheme offers £25 (\$42.5) each time, between November and March, a household experiences “7 consecutive days with an average of zero degrees Celsius or below in temperature.”
 - Households may also receive home and equipment upgrades as well as advice. (<http://www.billhelp.uk/home-energy-scotland-gives-free-help-lower-fuel-bills/>)
 - Disconnecting/reconnecting a household’s power is expensive. Fuel suppliers support low income households with energy costs in two ways:
 - They will review the tariffs to ensure that the customer receives the most favorable rates.
 - They will review all support programs to ensure that customers are receiving all financial assistance possible.

Many energy companies have payment plans to assist customers to pay their gas/electricity bills.

Examples of energy supplier programs include:

- Scottish Power (<http://www.billhelp.uk/scottishpower-assistance-paying-energy-heating-bills/>)
- First Utility (<http://www.billhelp.uk/first-utility-assistance-electric-heating-bills/>)
- EDF Energy (<http://www.billhelp.uk/edf-energy-financial-assistance-programmes/>)

In summary, programs to mitigate energy poverty in the UK focus on offering cash supports to eligible low-income households to manage immediate crises in bill payment. Consortia of local councils, trusts/charities, and energy companies sponsor and administer these programs. In some cases, eligible households may have their energy bills capped for a period. Bill payment programs and home/equipment upgrades, also form part of the energy cost mitigation tools in the UK and closely resemble the programming in place by Manitoba Hydro. In no case does it appear that energy companies adjust rates according to a means test (income and/or wealth). In other words, mitigating energy costs by

systematically adjusting energy rates according to income appears not to be part of the energy poverty policy framework in the UK.

France

Eligible households may receive a reduced tariff on their electricity bill. (<https://www.french-property.com/guides/france/utilities/electricity/assistance-payment/>). The total reduction depends on the household's income and is quite modest... up to an annual maximum of €140 (\$211 Cdn). This scheme remains a government program and appears to require a special application by the household to government and not the electricity utility.

France does not use gas for home heating, and with electricity at 33¢/KWh, most French households face high electricity costs. Poor insulation in many homes contributes to these bills. Despite this, no examples of programs specifically to mitigate energy costs appear to exist, aside from the modest annual tariff relief. The French social welfare system uses general rate adjustments to manage increases in the cost of living experienced by eligible households.

Germany

The usual response by Germans to rising energy costs has been to increase conservation efforts and switch suppliers. Ensuring a competitive market among energy suppliers to allow consumers to switch easily has formed a core element in the government's energy cost mitigation strategy. German politicians have tended to maintain that Germany has a sufficiently robust social welfare system and does not need targeted programming to deal with energy poverty.

Only recently, have politicians started to recognize the limitations of these approaches for low income families, especially since disconnections will usually worsen a household's credit rating, which reduces the ability to switch suppliers. (<https://www.cleanenergywire.org/news/welfare-groups-urge-power-cost-relief-german-poor>) However, no systematic programs appear to be in place to support low income households to manage energy costs.

Sweden

Sweden deregulated its electricity industry in 1996 with the intent to increase competition and support consumer switching. The deregulation appears to have been partially successful. Hydro generates about 50% of all electricity with nuclear about 40% and the generation remains within a tightly regulated "club". However, wind power is growing and

several different companies manage the distribution of electricity. Despite the muted success of deregulation, many Swedes regularly renegotiate their electricity contracts to manage costs.

The concept of “energy poverty” appears not to resonate among Swedish policy makers, since the welfare state exist to support families in managing all forms of cost pressure. (<https://www.foi.se/en/pressroom/news/news-archive/2015-12-04-foi-studies-energy-poverty.html>) Therefore, no specific energy poverty mitigation policies appear to exist, however within the social safety need, emergency assistance is available for the poorest households (<https://www.euractiv.com/section/energy/interview/stockholm-mayor-fuel-poverty-is-non-existent-in-nordic-countries/>).

Summary

Germany and the Nordic countries have tended to rely on the existing social safety net as well as promoting competition, supporting high building standards, and subsidizing renewable energy as the primary policy tools for mitigating energy costs. Assistance is always available for households facing specific emergencies, but this appears to be generic and not specific to energy costs.

France has a modest program of relief for electricity bills that offers relief to eligible households based on income. It relies on general adjustments to the social welfare rates to accommodate cost increases for any necessities of living.

The UK has a wide variety of energy cost relief programs, supported by a consortium of local government, trusts/charities, and energy suppliers.

In no case, was evidence discovered of means tested rate adjustments to energy rates.