ACTO TDCP

Advocacy Centre for Tenants Ontario
Centre ontarien de défense des droits des locataires

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Electricity sub-metering in multi-residential apartment buildings

LCHIC's and ACTO's position is that proceeding with sub-metering initiatives at this time is premature without a comprehensive study of the costs and benefits of such a program, along with an detailed examination of administration/implementation issues, with all affected stakeholders (including the Ministry of Energy, the Ontario Energy Board and the Ministry of Community and Social Services).

With prices rising in Ontario to reflect the true cost of electricity, sub-metering will have a substantial impact on housing affordability for tenants. Most households living at or below the poverty line are renters. The Ontario government does not yet have a comprehensive low-income energy conservation and assistance strategy in place to address the disproportionate energy burden faced by these vulnerable consumers.

1. Sub-metering is contrary to the "culture of conservation" the Ontario government is promoting as a key element in addressing the electricity supply/demand challenge facing the province.

- The government will eliminate the primary incentive for landlords to undertake energy conservation measures (except, perhaps in common areas) if most costs associated with electricity consumption are transferred to, and borne by, tenants.

- There is a false assumption that tenants have complete control over electricity consumption in their homes and that their level of electricity use is a voluntary, individual choice. Tenants, like other electricity consumers, can make changes in the daily pattern of their electricity use to reduce their consumption such as turning off lights that are not required for tasks, not opening windows in heating season, keeping curtains and blinds drawn in cooling season, etc.

  However, the basic fact is that electricity consumption is inelastic. Refrigerators run continuously, stoves and ovens are used to cook meals, a minimum number of lights must be turned on in the evening. Tenants do not have control over the factors that could substantively decrease their consumption, such as:

→ the energy efficiency of appliances provided by the landlord,
→weatherization of their home (e.g. insulation, energy-tight windows),
→fuel source for (electricity, gas, oil) or type of heating/cooling equipment used in their unit or building.

Tenants are dependent on their landlords to make energy efficiency capital expenditures. Unlike homeowners, tenants do not have access to financial assistance, such as the federal EnerGuide for Houses grant, for to undertake energy performance improvements.

[MMAH staff are proposing to allow landlords to recoup a percentage (e.g. 50%) of capital costs through above-guideline increase applications; and to allow enhanced provisions for AGI increases based on energy conservation capital work (i.e. shorten amortization periods to allow a higher pass-through of costs)].

2. Who will pay for sub-metering implementation costs?

- Energy conservation benefits all Ontarians, the economy and the environment. Tenants should not be expected to bear a disproportionate cost for this public benefit. Rather, the cost of energy conservation initiatives should be broadly shared by all citizens.

- The median income of Ontario's tenant households is less than half the median income of Ontario's homeowner households ($32, 194 vs. $66, 382).

- 42% of Ontario tenant households (564,735 out of 1,338,850) pay 30% or more of their household income on shelter costs, including utilities.

- 20% of Ontario tenant households (265,995 out of 1,338,850) pay 50% and over of their household income on shelter costs, including utilities.

- The majority of Ontario's population living at or below the "poverty line" are renters.

3. Complex implementation details must be resolved fairly and equitably with all affected stakeholders

- Calculation of rent reductions to tenants when electricity costs are removed from rent will be difficult to determine fairly. Rent reductions based solely on unit size or type of unit would not accurately reflect the cost of electricity used by each tenant household – and may not take into account factors such as tenancy in corner, north-facing units which could be less energy efficient in winter.

- Landlords are removing a volatile cost item out of their cost base in return for a one-time reduction in tenants' rents. This should be reflected in the calculation of rent reductions.

- Landlords in sub-metering arrangements would be unlicensed distributors and are required under section 4.0.1 of O. Reg. 161/99 – Definitions and Exemptions (made under *Ontario Energy Board Act, 1998*) to charge a customer a price no greater than that required to recover all "reasonable" costs. However, the OEB has no specific guidelines in place with respect to defining what's "reasonable", and the OEB does not give direction on the types of charges that can be passed on to tenants.

3. **If and when sub-metering is introduced, there must be consumer protection measures for tenants.**

- ACTO/LCHIC have recommended, as a consumer protection measure, that there would be a limit on electricity billings to tenant households in sub-metering situations – these households should not pay more than a direct residential customer of a local distribution company.

- If landlords are allowed to pass on sub-metering costs and/or higher pass-through of AGI energy conservation capital work, there should be an obligation on landlords to meet certain minimum energy efficiency standards/targets or a limitation on the types of projects that can qualify.

- Screening criteria must be developed to determine whether buildings are appropriate candidates for sub-metering, i.e. to measure economic and conservation benefits.