



# Tenants, Energy & Smart (sub) Meters

Dan Leckie Forum:  
Energy efficiency retrofits  
in residential high-rise buildings  
November 28, 2007, Toronto

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## Conservation does matter for tenants

- ◆ It's their home
- ◆ They pay for utilities – either in rent or directly
- ◆ They pay when landlords apply for above-guideline rent increases for “extraordinary” increases in utilities costs, or for capital expenditures for energy (or water) conservation work
- ◆ They are affected by climate change
- ◆ Their early engagement is essential for maximizing energy savings

## Broader context for conservation

### Environmental, social and economic...

- ◆ Ontario's goal to reduce peak electricity demand by 6,300 MW by 2025 (OPA's Integrated Power System Plan or IPSP); Ontario's climate change plan
  - Toronto's *Change Is In the Air* – environmental framework
- ◆ Ontario's long-term affordable housing strategy
  - *Housing Opportunities Toronto: An Affordable Housing Framework, 2008-2018*
- ◆ Ontario's poverty reduction strategy, with firm targets to measure progress



## How many tenants; where do they live?



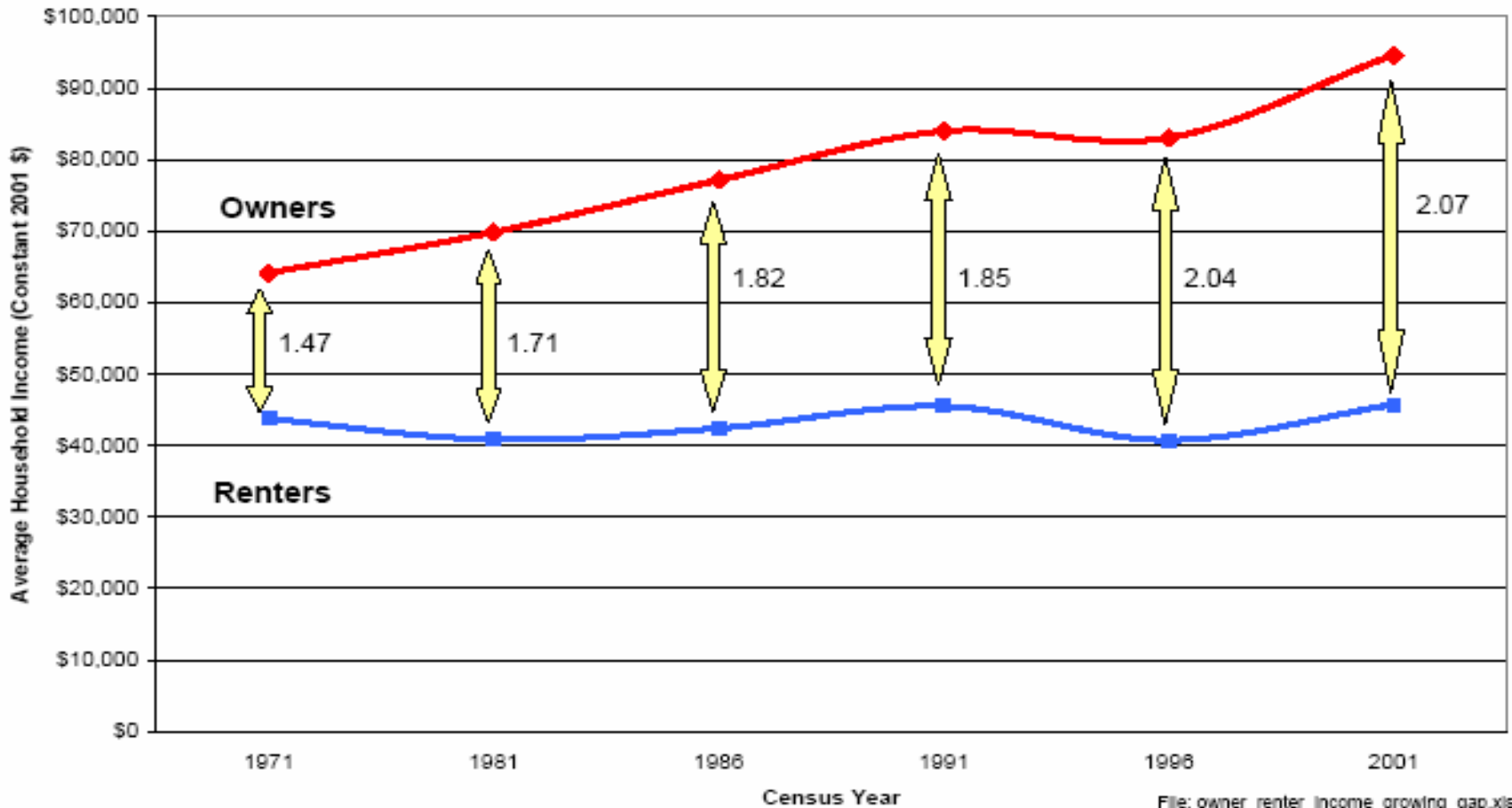
- ◆ 28.8% of all Ontario households are renters (1,312,295 tenant households)
  - 40% live in apt. buildings with five or more storeys
- ◆ 45.6% of all City of Toronto households are renters (446,850 tenant households)
  - 61% live in apt. buildings with five or more storeys



## Housing affordability and tenants

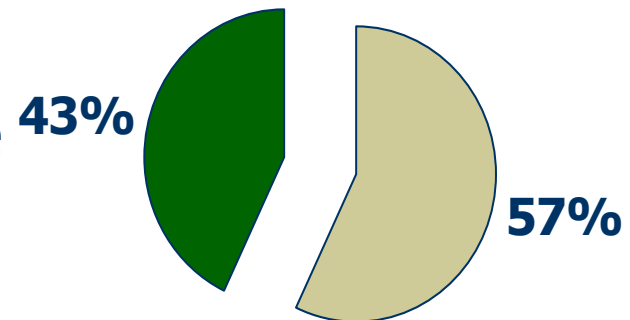
- ◆ 36% of Ontario's tenant households are living at or below the "poverty line"
- ◆ The median income of Ontario's renter households is less than half of homeowner households (\$32,194 vs. \$66,382)
- ◆ The median income of Toronto CMA renter households is less than half of homeowner households (\$36,802 vs. \$75,600)

### The Growing Income Gap Between Owner and Renter Households Toronto CMA 1971 to 2001



## Housing affordability and tenants

- ◆ 43% of Toronto's tenant households pay 30% or more of their household income on shelter costs (including utilities) - twice the percentage of homeowners
- ◆ 21% pay 50% and over of their household income on shelter costs - and are at risk of homelessness
- ◆ Impact of rising energy costs....

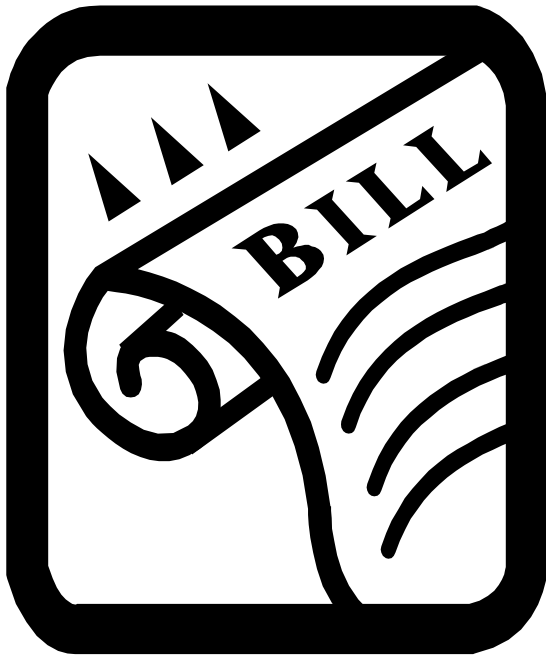


## Rising energy prices

- ◆ Real cost-to-customer increases of OPA's 20-year IPSP expected to be 15% to 20%
- ◆ Natural gas prices and oil also on the rise



# Rising energy prices and low-income consumers



- ◆ Low-income households are particularly vulnerable to increases in shelter and utility costs - put housing in jeopardy.
- ◆ High energy costs are the second reason for economic evictions in Ontario, right after unaffordable rents.
- ◆ Heating, eating or paying the rent will be choice faced by many.
- ◆ Reductions in energy use may be at the expense of health, socially acceptable standards of living.

# Energy conservation and tenants



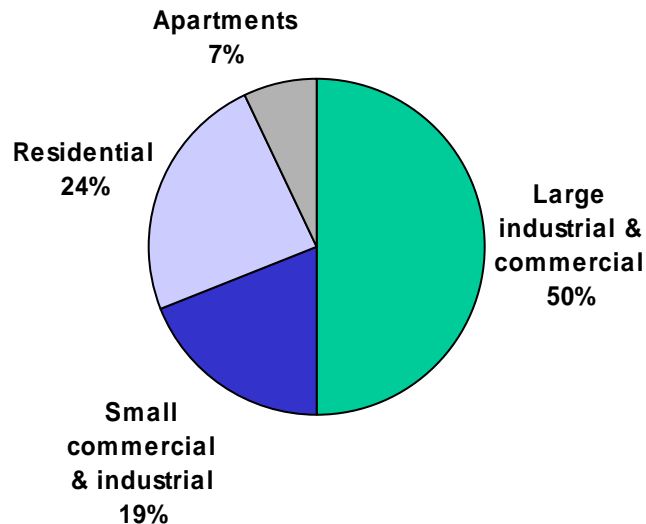
Conservation is a cheap, fast, clean solution to energy crunch and climate change crisis

More efficient use of energy:

- reduces pollution
- avoids cost of new generating plants
- reduces energy bills and lessens effect of rising prices
- Makes housing more affordable & comfortable

**How does Smart (sub) metering fit in...**

# What percentage of electricity use in Ontario is from apartments?



- ◆ Our best estimate is that bulk-metered apartments, i.e. those that are candidates for sub-metering, comprise only 7% of Ontario's annual electricity consumption



## Tenants and electricity use



### Currently:

- ◆ most tenants in multi-residential private rental sector pay for utilities in their rent
- ◆ estimated that 90% of multi-residential buildings are bulk-metered, and most Ontario apartment buildings are not electrically heated
- ◆ most social housing tenants pay for utilities in their rent; only 18% of tenants pay electricity bills directly



# Who's calling for Smart (sub) Metering?

## Landlords

- want to transfer in-suite utility costs directly to tenants, argue that tenants and the environment will benefit

## Ontario government

- have facilitated expansion of Smart Meter initiative to reduce electricity peak demand to condominiums and multi-residential rental sectors

## Suppliers

- meter and billing services companies see business opportunity in multi-residential rental sector

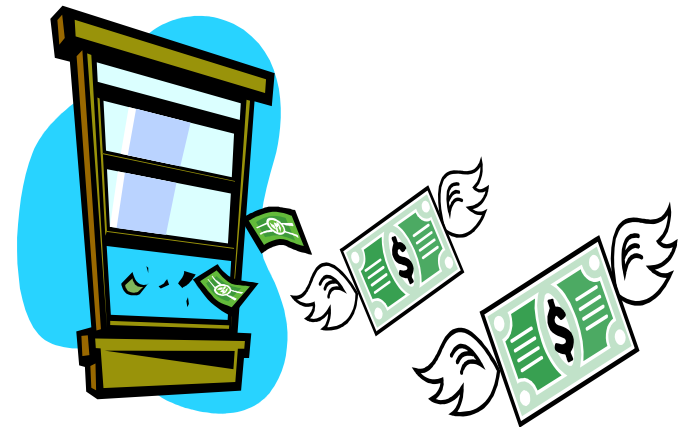
# Is Smart Metering the answer?



- ◆ intended to encourage consumers to shift electricity use to off-peak hours
- ◆ BUT, low-income households have least capacity to shift energy use (families with children, seniors, disabled, unemployed)

# If tenants pay directly for in-suite energy use, will they will use less?

- ◆ Landlord controls building envelope (windows, insulation), heating systems, appliances
- ◆ Tenants control discretionary energy use in-suite
- ◆ Both impact on energy use reduction efforts



# Energy efficient fridges

- refrigerator replacement was the 2<sup>nd</sup> most recommended energy-saving measure in SHSC's Green Light initiative energy audits
- In 1990, refrigerators larger than 16.4 cu.ft. used more than 1000 kWh annually on average – cut in half by 2003



# Split incentive between landlords and tenants

- ◆ landlords want to minimize costs and make a profit; tenant seeks safe, comfortable, affordable home
- ◆ tenants don't have authority to invest/retrofit – or financial resources
- ◆ Smart (sub) Metering shifts financial incentive to provide and maintain an energy-efficient building & appliances for tenants – could undermine conservation efforts



## Smart (sub) metering & tenants

- ◆ Part VIII of *Residential Tenancies Act, 2006*) – *still to be proclaimed, regulations to be developed*
  - Landlords may install Smart Meters without sitting tenant consent; transfer electricity costs directly to tenants, outside of rent
  - Provisions for rent reductions and energy conservation obligations on landlords to be worked out in regulations



# Effective conservation & fairness

- ◆ Crafting of the regulations under Part VIII of the RTA will be crucial to ensuring that:
  - the energy conservation obligations on landlords will be those most effective in reducing energy consumption/costs for tenants, and in helping to meet province's conservation goals
  - the rent reduction after tenants take on the in-suite utility costs will be calculated fairly

# Going Forward



- Conservation and demand management incentive programs - landlords and tenants
- Education and social marketing
- Studies on achieving energy conservation in the rental residential sector, without increasing the financial burden on tenants
- A detailed and neutral analysis of the impact of Smart Metering and sub-metering on energy usage in the rental sector