Response to Consultations on the *Energy Consumer Protection Act, 2009* (Bill 235)

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<td>Tenant Defence Sub-Committee</td>
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**SUMMARY**

On February 17, 2010, staff reported to the Tenant Defence Sub-Committee on the status of the *Energy Consumer Protection Act* (Bill 235), which was introduced by the Province in December 2009. Bill 235 responds to the gap in regulations concerning sub-metering of electricity in residential rental properties, and to the concerns identified in the August 13, 2009 decision of the Ontario Energy Board.

The purpose of this report is to provide further information on Bill 235 and its corresponding regulations, and to describe the actions taken to date to provide input into Bill 235 and the regulations. It is recommended that Council approve the staff submission made to the Province on April 16, 2010 in response to their Consultation Paper on the proposed Regulations for Bill 235.

**RECOMMENDATIONS**

The General Manager, Shelter, Support and Housing Administration, recommends that:

1. Council approve the staff submission made in response to the Province of Ontario’s Consultation Paper on the Proposed Bill 235 Regulations as outlined in Appendix D; and

2. the General Manager, Shelter, Support and Housing Administration, be authorized to take any necessary action to further respond to Bill 235 and any related regulations.
Financial Impact

There are no financial implications arising from this report.

DECISION HISTORY

On June 17, 2008, the Community Development and Recreation Committee considered a report from the General Manager, Shelter, Support and Housing Administration, on sub-metering provisions in the Residential Tenancies Act and their impact on tenants and landlords.


At its January 27 and 28, 2009 meeting, Council approved a report titled “Installation of Sub-Meters in Residential Rental Units and Its Impact on Tenant Affordability”. The report provided recommendations regarding the fair transfer of responsibility for payment of utility costs from the landlord to the tenant. The recommendations, as approved by Council, are listed in Appendix A.


On September 30, 2009, Council approved several resolutions concerning the development of sub-metering legislation or regulations by the Ontario Energy Board or Ontario Government, including authorization for staff to participate in the process. Council also considered a report from the General Manager, Shelter, Support and Housing Administration, on: (1) the August 13, 2009 Order from the Ontario Energy Board (OEB) on smart sub-meters installed by landlords in residential buildings and the impact on tenants; (2) strategies available to tenants who currently have had their units sub-metered and, as a result of the OEB Order, are no longer obliged to pay energy costs directly; and (3) what measures would increase fairness.


On February 17, 2010, the General Manager, Shelter, Support and Housing Administration, provided an Information Report on Bill 235 to the Tenant Defence Subcommittee. The report detailed the actions taken by staff in responding to the earliest version of the Bill and attached a submission made by the City Manager. The submission is attached as Appendix B.


ISSUE BACKGROUND

The majority of tenant rents in Toronto have historically included utility charges, including electricity. In order to remove electricity costs from rent and have tenants pay separately, some landlords in Toronto have introduced sub-metering. To date, there has been an absence of clear regulatory guidance in respect of sub-metering of residential rental properties.
Ontario Energy Board:

The Ontario Energy Board (OEB) regulates the energy and gas sectors in Toronto. It has made a number of decisions concerning sub-metering in residential rental properties.


On May 5, the OEB began a review to determine whether to permit sub-metering in residential rental properties. The Council report approved on January 27 and 28, 2009 was submitted to the OEB as the City’s submission to the review.

On August 13, 2009, the OEB issued a Decision and Order finding that all existing sub-metering arrangements were unenforceable and must be unwound. The OEB Order permitted sub-metering in rental residential buildings provided that certain terms and conditions are met. The Order stated that existing agreements must be renegotiated under the newly established terms. The Order was intended to provide interim “regulatory guidance” with terms and conditions to provide reasonable protection for all affected parties until such time as the provincial government puts in place a comprehensive legislative package. The Order noted that the Minister of Energy and Infrastructure intended to enact regulations to authorize discretionary metering activity by landlords, and that existing smart metering provisions in the Residential Tenancies Act had been enacted but not proclaimed. Staff reviewed the Order and provided details as to tenant protections in the following report: http://www.toronto.ca/legdocs/mmis/2009/cc/bgrd/backgroundfile-23859.pdf

Provincial Government:

The Province enacted sections 137 and 138 of the Residential Tenancies Act in 2008. These provisions permitted landlords to unilaterally sub-meter residential rental units, provided that rents were reduced to take into consideration the removal of electricity which was previously included in such rents. The provisions were opposed by both tenant and landlord advocates and were never proclaimed by the Province.

On December 8, 2009, the Province introduced Bill 235 which will, if proclaimed, introduce new provisions in the Electricity Act and will replace the un-proclaimed sections 137 and 138 of the Residential Tenancies Act.

Summary of Bill 235:

Bill 235 passed first reading on April 22, 2010. Bill 235 is divided into two parts. The first amends the Electricity Act by regulating the practices of energy retailers. The second amends the Residential Tenancies Act by regulating the situations and conditions
under which landlords may introduce sub-meters in residential rental properties and may apportion utility costs (gas, water, electricity) for properties with six or fewer rental units.

In addition to Bill 235, regulations are required from both the Ministry of Energy and Infrastructure (in relation to the practices of energy retailers) and the Ministry of Municipal Affairs and Housing (in relation to the Residential Tenancies Act). This report addresses the regulations related to the Residential Tenancies Act. To date, the Ministry of Energy and Infrastructure has not released a consultation paper or proposed regulations in respect of the amendments to the Electricity Act. Staff have been informed that these regulations may be developed in the fall of 2010.

The principal initiatives introduced in the second part of Bill 235 are as follows. Where the term “prescribed” is used, it refers to information that will be set out in the regulations that will accompany Bill 235. Please see the next section for additional information concerning the regulations.

- **Consent from existing tenants.** Sitting tenants must consent in order for landlords to be able to install sub-meters and for tenants to be separately billed for electricity use. Prior to obtaining consent, landlords must disclose prescribed information to tenants.

- **Reduction in rent.** Where tenants consent to sub-metering, rents must be reduced. The manner in which the reduction will be determined will be set out in the corresponding regulations.

- **Disclosure to prospective tenants.** While landlords may install sub-meters on turnover without tenant consent, prospective tenants must be provided with certain information (to be set out in the regulations).

- **Energy upgrades in residential rental buildings.** Prior to sub-metering, landlords must meet prescribed energy efficiency standards for appliances and suites.

- **Apportionment of utility costs.** In residential rental properties with six or fewer rental suites, landlords may apportion utility costs and pass these on to their tenants separate from the rent subject to certain conditions.

Bill 235 is premised on the assumption that sub-metering alone will result in reductions in energy consumption by tenants. Accordingly, Bill 235 is not accompanied by grant programs to introduce energy efficient modifications within residential rental properties, nor by education programs to assist tenants in reducing their energy consumption.

Bill 235 passed Third Reading on April 22, 2010.
Status of Bill 235 Regulations:

The Ministry of Municipal Affairs and Housing (MMAH) released a Consultation Paper in March 2010 setting out its preliminary perspectives in respect of regulations for Bill 235 and seeking input. The Consultation Paper suggested positions on the following issues and requested feedback:

- Energy Efficiency Standards
- Rent Reductions
- Revisions to Rent Reductions
- Disclosure to Tenants
- Tenants Application for Breach of Obligations by Landlord
- Notices by Landlord
- Authorization of Suite Meter Installation and Use of Suite Meters for Billing
- Treatment of Social Housing
- Apportionment of Utility Costs

MMAH held stakeholder meetings on the scope of the regulations in late March and early April 2010.

COMMENTS

Opportunities for public consultation have been provided at different points throughout the process.

The following actions have been taken in respect of Bill 235 and related regulations:

1. Environmental Bill of Rights (EBR) Registry Submission on Bill 235

As noted earlier, Bill 235 was introduced in the Legislature on December 8, 2009. On that date the Bill was also posted on the provincial EBR Registry for comment by February 6, 2010.

Accordingly, Shelter, Support and Housing Administration Division staff researched the Bill, sought a briefing from the Province, and assembled an Interdivisional Working Group which included staff from relevant divisions and agencies, including Facilities Management, the Affordable Housing Office, Toronto Community Housing Corporation, Toronto Environment Office, Strategic and Corporate Policy, Tower Renewal, the Toronto Atmospheric Fund, and Legal Services. The Interdivisional Working Group collaborated on each of the submissions made.

The EBR Registry submission, dated February 6, 2010, from the City Manager included preliminary concerns with the Bill, most notably the lack of energy efficiency standards, corresponding funding, and detailed protections for tenants.
The submission was included in the Information Report to the February 17, 2010 meeting of the Tenant Defence Sub-Committee and is attached as Appendix B.

2. **Standing Committee on General Government Submission on Bill 235**

Following Second Reading, Bill 235 was referred to the Legislature’s Standing Committee on General Government for review. The Mayor provided a written submission to the Standing Committee, dated March 23, 2010 (see Appendix C).

3. **Submission on Regulations related to Bill 235**

As noted earlier, the Ontario government released a Consultation Paper on Regulations related to the laws affected by Bill 235. City staff from the Interdivisional Working Group attended stakeholder meetings held on April 6, 2010 respecting private rental housing, and on April 8, 2010 respecting social housing. Attendance at these meetings provided City staff with the opportunity to hear the perspectives of landlord and tenant advocacy groups and develop the staff submission in response to the Consultation Paper.

The April 16, 2010 submission made by the General Manager, Shelter, Support and Housing Administration, in respect of the Bill 235 regulations is attached as Appendix D. The covering letter notes that “these are staff positions, and while they are consistent with past positions of Council, this submission has not yet been approved by Council. We are submitting it in advance of consideration by Council in view of the very limited time available for making the submission.”

Bill 235 responds to a gap in existing regulations concerning the ability of landlords to sub-meter residential rental properties and corresponding tenant protections. Staff have concerns regarding the impact of Bill 235 on vulnerable tenants and on energy conservation. From a tenant protection perspective, staff have noted: the absence of tenant education programs; the possibility of widespread applications by landlords for above-guideline increases in rents; and the administrative hurdles tenants will need to overcome in assessing the energy efficiency of their rental units. In terms of energy efficiency, staff noted the missed opportunity to directly support major energy improvements and therefore achieve major energy savings.

Overall, staff submit that Bill 235 could go farther in achieving its goals by including further amendments to the *Residential Tenancies Act* to protect vulnerable tenants and by offering additional incentives to achieve energy efficiency in rental buildings.

**NEXT STEPS**

Staff will undertake the following:

- Continue to monitor the development of Bill 235 and the related regulations, including those to be introduced by the Ministry of Energy and Infrastructure; and
Seek to ensure that adequate information is provided to landlords and tenants as to their rights pursuant to Bill 235, including advocating to the Provincial government for education programs in support of Bill 235.

CONTACT

Katherine Chislett, Director, Housing & Homelessness Support & Initiatives
Shelter, Support and Housing Administration Division
Tel: 416-397-0260; E-mail: kchisle@toronto.ca

Alexandra Flynn, Policy Development Officer
Housing & Homelessness Support & Initiatives
Shelter, Support and Housing Administration Division
Tel.: 416-397-7518; E-mail: aflynn@toronto.ca

SIGNATURE

_______________________________
Phil Brown
General Manager
Shelter, Support and Housing Administration

ATTACHMENTS

Appendix A: Recommendations approved by Council, January 27 and 28, 2009, respecting the report titled “Installation of Sub-Meters in Residential Rental Units and Its Impact on Tenant Affordability”

Appendix B: EBR Submission on Bill 235, Energy Consumer Protection Act, from the City Manager (February 5, 2010)

Appendix C: Mayor’s Written Submission to the Standing Committee on General Government of the Ontario Legislature regarding Bill 235 (March 23, 2010)

Appendix D: Staff Submission on Bill 235 Regulations Consultation from the General Manager, Shelter, Support and Housing Administration (April 16, 2010)
Appendix A

Recommendations approved by Council, January 27 and 28, 2009, respecting the report titled “Installation of Sub-Meters in Residential Rental Units and Its Impact on Tenant Affordability”

Community Development and Recreation Committee Report CD21.4.

Installation of Sub-meters in Residential Rental Units and Its Impact on Tenant Affordability

City Council Decision

City Council on January 27 and 28, 2009, adopted the following:

1. City Council request the Minister of Municipal Affairs and Housing to move quickly to enact sections 137 and 138 of the Residential Tenancies Act, and develop regulations which will ensure that comprehensive and effective energy efficiency measures are in place prior to hydro being removed from the rent, and that rent reductions be calculated in a fair and transparent manner.

2. Until such time as sections 137 and 138 are enacted, City Council request the Minister of Municipal Affairs and Housing to immediately take steps to improve protection for tenants from negative impacts of sub-metering, including:
   a. implementing interim information and communication programming to support tenants in understanding and enforcing their rights under section 125 of the Residential Tenancies Act;
   b. legislative amendments to section 125 to ensure fair practices in the transfer of hydro costs from landlords to tenants, including requirements for informed consent; and
   c. regulatory amendments to section 125 to ensure a fair and transparent determination of rent reductions.

3. City Council request the Minister of Energy and Infrastructure to review the provincial regulatory and incentive environment as it applies to sub-metering in multi-residential rental properties, and to move quickly to put in place measures to ensure fair practices and protect tenants, including licensing of sub-meter providers operating in rental residential buildings.

4. City Council request the Chair of the Cabinet Committee on Poverty Reduction to support enhanced funding to programs that help low-income tenants to pay hydro costs when they cannot afford the cost of this vital service, and to take other actions towards reducing energy poverty.
5. City Council delegate authority to the General Manager, Shelter, Support and Housing Administration, to allocate up to $25,000 from the Tenant Defence Grant Fund to support tenant dispute applications, in partnership with one or more Toronto community legal clinics, on issues related to the removal of hydro as a service included in the rent, and to report to the Tenant Defence Sub-committee on the results of any cases funded under this recommendation.

6. City Council send a copy of this report to the Ontario Energy Board, the Ontario Power Authority, Ontario’s Chief Energy Conservation Officer, the Ministry of Energy and Infrastructure, the Ministry of Municipal Affairs and Housing, the Landlord and Tenant Board, and Toronto Hydro to advise of Council’s concerns about tenant protection and fair rent reductions where hydro is removed as a service included in the rent.

7. City Council request the Province of Ontario to put a hold on the installation of "smart meters" in residential rental units until such time as the appropriate legislative amendments and/or regulations have been brought into force.

8. City Council forward these recommendations to all municipalities in Ontario with a population of over 30,000.
February 5, 2010

Joanne Anderson
Senior Policy Advisor
Ministry of Energy and Infrastructure
Regulatory Affairs and Strategic Policy
880 Bay Street
Toronto, ON M7A 2C1

Re: EBR Registry #010-8556, Bill 235, Energy Consumer Protection Act, 2009

Dear Ms Anderson:

This submission on Bill 235 is being made by staff of the City of Toronto. The views expressed herein are consistent with Council decisions made with respect to sub-metering of rental housing and energy conservation (copies of relevant reports are attached).

Summary:

As the largest municipality in Canada, with 2.6 million residents, the regulation of the provision of energy in rental units is of considerable interest to the City of Toronto because:
- 45.6% of our citizens rent their homes;
- 46.6% of renter households are living in homes they cannot afford (paying more than 30% of their income on rent); and
- Council has made substantial commitments to energy conservation and greenhouse gas emission reductions.

We understand that the August 13, 2009 ruling of the Ontario Energy Board ("OEB") decision that certain existing sub-metering agreements between landlords and tenants be unwound and renegotiated, combined with sections 137 and 138 of the Residential Tenancies Act not being in force, has left a regulatory gap. The City of Toronto has been anticipating the introduction of clear provincial rules and programs clarifying the relationship between landlords, tenants and sub-metering providers in the provision of energy, and aimed at maximizing energy conservation while at the same time protecting the rights of tenants and affordability of rental housing.

In response to this gap, Bill 235 was introduced by the Government of Ontario Ministry of Energy and Infrastructure ("MEI") and is currently in Second Reading. We commend MEI for taking action...
to address the regulatory gap, and its efforts to look for ways to balance fair treatment of landlords and tenants with the objective of reducing electricity consumption in Ontario.

The City of Toronto is concerned that Bill 235 may not adequately address two critical issues of significance to the City:

- the need for and proper use of incentives to achieve energy conservation; and
- protections for tenants, including social housing tenants, in respect of sub-metering providers to ensure informed consent and fair rent reductions.

More generally, it is unclear whether there is evidence to support the view that legislation which facilitates the transferring of electricity costs included in the rent to electricity costs being paid directly by tenants would significantly contribute to energy conservation. Additional information about each of these issues is provided below.

The City of Toronto urges MEI to review Bill 235 and make amendments which may be required to address these issues. Further, the City of Toronto suggests that consideration be given to programming which would be required to support implementation of Bill 235, including such things as assessment of energy standards, monitoring, and capital grants programs.

The City of Toronto also notes that the absence of draft Regulations accompanying Bill 235 makes it very difficult to appreciate the full implications of the proposed bill. We recommended that draft Regulations be prepared prior to Third Reading, and request that the City of Toronto be consulted on the draft regulations. Such early and substantive consultations would be consistent with the Toronto-Ontario Consultation and Cooperation Agreement (T-OCCA) and could be conducted under T-OCCA’s confidentiality provisions.

Issues of Concern:

1. Strategies for Maximizing Energy Efficiency

The intention, in part, of Bill 235 is to promote energy conservation, in multi-residential rental buildings. Our concern is that Bill 235 appears to be premised on the theory that having tenants pay directly for electricity will cause electricity use to be reduced.

There is little research establishing that sub-metering alone meaningfully contributes to increased energy conservation. By contrast, we have received feedback that having tenants pay directly for electricity rather than having it included in the rent removes the incentive from landlords to undertake energy efficiency improvements. Instead, the incentive to conserve is transferred to tenants, and tenants are often the least able to undertake conservation improvements. As such, we are concerned that sub-metering may actually detract from conservation by removing the incentive from landlords to make conservation improvements.

Recommendation 1: The City of Toronto requests that MEI make available its research and findings that demonstrate the effect of sub-metering on consumer behaviour in rental residential properties and its potential for contributing to significant energy savings.
In its requirements relating to initiatives that must be undertaken by landlords where sub-metering agreements have been introduced under proposed sections 137(9) and 137(10), there are no provisions for overall building energy standards to be met by building owners or for certifying when such standards are met (e.g. something akin to LEED for Existing Buildings). There are also no provisions for ongoing monitoring to ensure that energy savings continue to be met. As another example, there are neither incentives nor requirements that landlords assume conservation measures to be taken for common elements (e.g. lobby and exit lighting, building-wide HVAC). As more and more units move to paying directly for electricity, whether through the consent of the sitting tenant or upon turnover of the unit, there may be less and less incentive for landlords to make energy saving improvements to buildings. Ongoing monitoring, over and above requiring tenants to enforce conservation through applications to the Landlord and Tenant Board or Above Guideline Applications by landlords, may be required.

**Recommendation 2:** The City of Toronto recommends that additional detail and information be provided concerning the enforcement of Bill 235 provisions. In particular, Bill 235 should provide standards and conditions for the monitoring and reporting of building energy strategies.

An effective strategy for maximizing energy conservation is through grants programs. Direct incentives to landlords to upgrade buildings and replace old equipment and appliances will directly contribute to energy savings. An added benefit is that tenants would be protected from rent increases that they might otherwise experience if the full cost of capital work were passed on into their rents. Bill 235 does not include provisions for incentive programs for building owners and tenants, which could be a useful mechanism in ensuring the conservation objectives of Bill 235 are met.

The City of Toronto provides funding for social housing providers, and currently about 28% of the City’s conventional rental housing stock is social housing. However, under most of the City of Toronto’s funding relationships, housing providers are limited to a specific amount for operating costs, regardless of their actual costs. This means that social housing does not respond to price signals in the same manner as market housing. Even if the installation of sub-meters were an effective energy efficiency strategy, social housing providers would have difficulty introducing such measures as a result of the financial constraints faced by their very vulnerable tenants. Accordingly, social housing providers wishing to sub-meter as an energy efficiency strategy may have difficulty doing so without specific incentive programs or assistance. Programs such as the City’s Better Buildings Partnership and the Social Housing Renovation and Retrofit Program (SHRRP), have successfully resulted in social housing providers investing in measures such as energy efficient heating systems, new windows and energy efficient appliances, among other strategies.

**Recommendation 3:** The City of Toronto recommends that: (a) Bill 235 include provisions requiring grants and other direct incentive programs to achieve energy conservation in multi-residential rental buildings and in social housing; and (b) the Province of Ontario provide permanent program status and funding to SHRRP.

2. **Tenant Protection**

About 90% of Ontario rental buildings are bulk-metered, which means landlords purchase electricity for the apartment building and then provide it to their tenants as a service included in the rent.
Bill 235, when a building switches to sub-metering, tenants pay for their own electricity use and in return, get a reduction to their rent. As indicated in our report “Installation of Smart Meters in Residential Rental Units and its Impacts on Tenant Affordability” (attached), there are significant concerns that smart metering in the multi-residential rental sector will increase the financial burden on low-income tenants. While we appreciate the intention of MEI to provide regulatory guidance in the wake of the OEB’s decision, the City of Toronto is concerned about the following issues in relation to tenant protection:

- Once a sub-metering relationship is consented to by a tenant, that tenant and all future tenants are bound by the relationship and there is no possibility for termination;

- While the landlord is obligated to improve energy efficiency of certain appliances, there are no standards suggested, no requirements outline for authorizing that the standard has been met, and no monitoring to ensure ongoing compliance with the standard is proposed;

- Other than the upgrading of certain appliances, there are no additional energy efficiency measures that the landlord must put in place;

- Reasonable limits on administrative fees charged to tenants, rate increases, and other fees and penalties that may be charged will be required;

- The relationship between landlords, tenants and sub-metering providers remains unclear. It appears that under Bill 235 landlords may discontinue energy to a rental unit where a tenant has not paid their bills to the sub-metering provider. The exact legal relationship between the three parties should be clarified in order to add certainty and respond to one of the issues outlined by the OEB;

- Bill 235 is silent on tenant education to ensure consent is informed and supports to help them reduce electricity use, and mechanisms that we ensure that tenants have voluntarily given informed consent. There is no “cooling off” period on the consent. Overall, Bill 235 appears to assume that the Landlord and Tenant Board will be available to resolve tenant concerns and disputes between landlords and tenants, transferring the burden of enforcing the obligations under the Act aimed at achieving provincial conservation goals to the parties. A proactive approach that avoids costly disputes is suggested; and

- As buildings are whole systems, there is an interrelationship between the types of energy used. As such, the regulations setting out the information to be provided to tenants and the required building efficiency standards should include a full assessment of building operation conditions.

**Recommendation 4:** We recommend that MEI include the protections for tenants as outlined above.

**Recommendation 5:** We recommend that, as part of the implementation of Bill 235, information and training tools on energy saving measures be prepared, distributed and conducted for tenants.
Concluding comments:

As noted above, the City is concerned that Bill 235 does not include adequate measures to protect vulnerable tenants (who are already experiencing significant financial constraints) from the transfer of energy costs without sufficient protection, education and training. The City is also concerned that Bill 235 does not adequately address energy efficiency and may detract from conservation. The City of Toronto encourages MEI to modify Bill 235 in light of the concerns raised above, and requests that further consultation in relation to the bill take place. We also request that the corresponding Regulations be prepared and available throughout the consultation process on the Bill.

Yours truly,

[Signature]
Joseph P. Pennachetti
City Manager

cc. Mayor David Miller
    Saad Rafi, Deputy Minister, Ministry of Energy and Infrastructure
    Fareed Amin, Deputy Minister, Ministry of Municipal Affairs and Housing
    Marg Rapport, Deputy Minister, Ministry of Community and Social Services

Attachments:

City Council Decision, CD21.4, Installation of Sub-meters in Residential Rental Units and Its Impact on Tenant Affordability Units, Approved by City Council on January 27 and 28, 2009

City Council Decision, CD26.5, Protecting Tenants from Unregulated Electricity Sub-Metering in Apartment Buildings, Approved by City Council on September 30 and October 1, 2009