

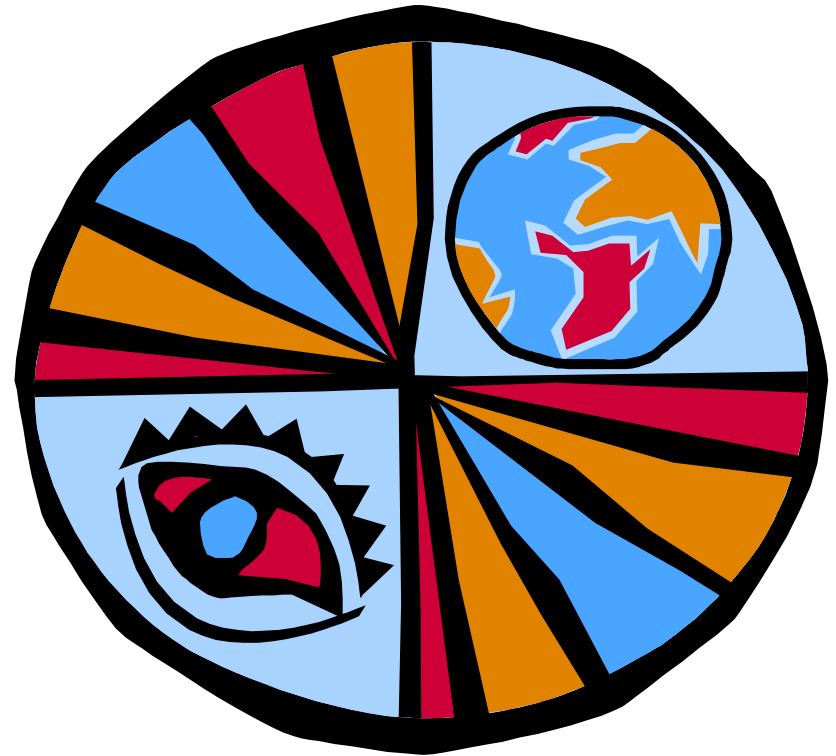


TPA, Energy & Sub-Metering

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Culture of Conservation

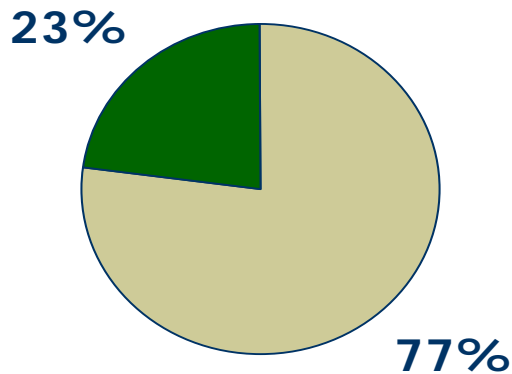
- ◆ Ontario Government has stated commitment to energy conservation
 - electricity demand pressures
 - environmental concerns



Conservation in Rental Residential Sector

- ◆ Government is looking at
 - More generous AGI rules to encourage energy efficient upgrades
 - enabling landlords to install electrical sub-metering in existing buildings without tenant consent
- ◆ requires amendments to the Tenant Protection Act

How do Tenants Pay for Utilities



■ Utilities included in rent
■ Utilities paid separately

- ◆ Approximately 23% pay directly for utilities - either to landlord or utility
- ◆ 77% included in rent
- ◆ but,
 - data from 1998
 - not entire market

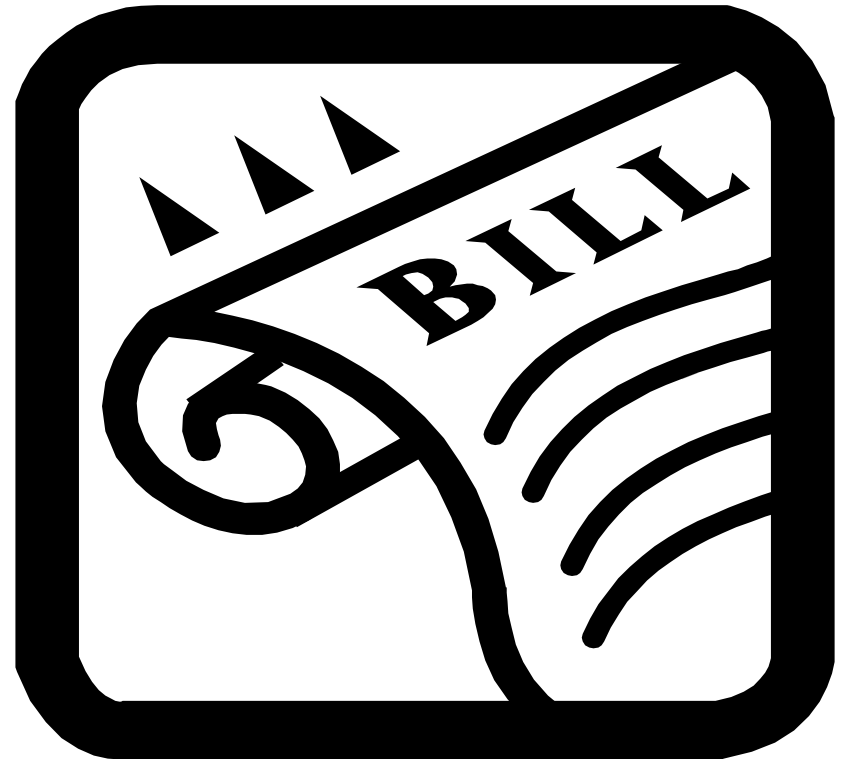
Utilities Included in Rent



- ◆ An amount for utilities is included in the base rent
- ◆ Rent can be increased once per year by guideline
- ◆ the annual rent increase guideline includes an amount for utility costs
- ◆ LL can claim AGI for utility increases

The Alleged Problem

- ◆ When utilities are included in rent, tenants don't pay for the amount they consume
- ◆ LL can sub-meter now with tenant consent



Sub-Metering Issues



- ◆ Theory = if tenants pay directly for electricity, they will consume less
- ◆ is it a cost-effective way to conserve energy?
- ◆ is this fair to tenants?

Sub-Metering Roll-Out

- ◆ Landlord contracts with private supplier
- ◆ Landlord continues to buy electricity for LDC
- ◆ Supplier installs and operates sub-meter
 - including billing tenants
 - bill includes administration fee & capital cost

Cost-Effective?

Low cost Meter (\$500)	Non-heating Usage (525 Kwh)	Heating Usage (1200 kWh)	Heating Usage (1700kWh)
Total annual cost	\$202	\$202	\$202
Total annual savings (18%)	\$62	\$143	\$202
Savings/(Loss)	(\$140)	(\$60)	(\$0.00)
High cost Meter (\$800)			
Total annual cost	\$324	\$324	\$324
Total annual savings (18%)	\$62	\$143	\$202
Savings/(Loss)	(\$261)	(\$181)	(\$122)

Effective?

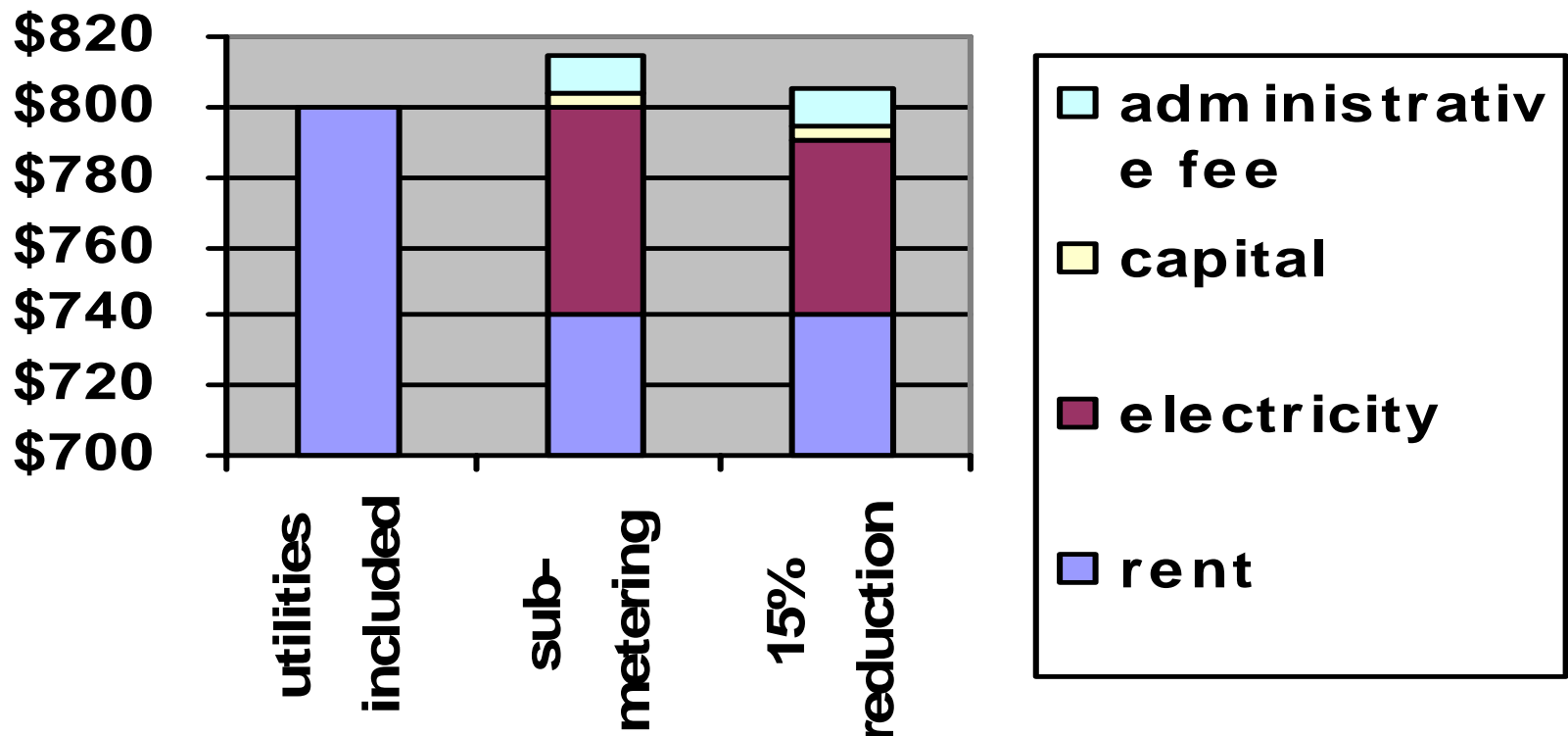
- ◆ Split incentive problem
 - simple sub-metering shifts financial incentive from LL to T
 - But, LL has control over: weatherisation, appliances, windows, furnace
 - so, a simple shift of the bill from LL to T may undermine energy conservation

Effective?

- ◆ Data suggests a decrease in electricity consumption after sub-metering
- ◆ But,
 - the data is not from neutral sources
 - relatively small sample size
 - no analysis of the data - from whom, from where, how, or impact on affordability

Fair?

- ◆ Tenants will pay more for less



Fair?

- ◆ Not what tenants bargained for
- ◆ Tenants become directly exposed to volatile market
- ◆ Tenants with disability, seniors and the unemployed will be hard hit
- ◆ Electricity costs will depend on placement in the building - outside of tenant's control

Fair?

- ◆ Low income tenants not able to invest in conservation
 - can't afford it
 - don't have control



Who wins

- ◆ Landlord - take volatile cost out of operating budget at no cost
- ◆ Suppliers & Installers - big business
- ◆ Government - can claim to be taking steps for energy conservation at no cost to government

Who Loses

- ◆ Tenants
 - pay for sub-meters
 - pay admin fee
 - exposed to volatile market
- ◆ Tenants least able to bear the cost

Draft Position

- ◆ No sub-metering
- ◆ Invest in energy conservation
- ◆ Invest in education
- ◆ Invest in energy efficient retrofits

- ◆ But, if sub-metering, then...

Creating Equities

- ◆ Financial, environmental and technical audit
- ◆ split the incentive
- ◆ mandate energy efficiency retrofits
- ◆ landlord pays capital cost & admin fee
- ◆ low income conservation program
- ◆ fair rent reduction
- ◆ regulate landlord as distributor
- ◆ consumer protection

Going Forward



- ◆ How do we achieve energy efficiency in the rental sector and
- ◆ protect tenants and housing affordability?