

Chapter 1

Section 1.26

Ministry of Energy
 Ministry of Municipal Affairs and Housing
 Ontario Energy Board

Follow-Up on 2020 Value-for-Money Audit: Reducing Greenhouse Gas Emissions from Energy Use in Buildings

RECOMMENDATION STATUS OVERVIEW						
	# of Actions Recommended	Status of Actions Recommended				
		Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	1		1			
Recommendation 2	1			1		
Recommendation 3	1				1	
Recommendation 4	3	1			2	
Recommendation 5	2	1		1		
Recommendation 6	1			1		
Recommendation 7	2	1	1			
Recommendation 8	1			1		
Recommendation 9	3			3		
Recommendation 10	1			1		
Recommendation 11	1	1				
Recommendation 12	3	3				
Recommendation 13	2	2				
Recommendation 14	2			2		
Recommendation 15	1			1		
Recommendation 16	3			3		
Recommendation 17	1		1			
Recommendation 18	1	1				
Recommendation 19	1				1	
Total	31	10	3	14	4	0
%	100	32	10	45	13	0

Note: **Recommendations 1, 2, 11, and 13** through **19** were made to the Ministry of Energy, Northern Development and Mines (now the Ministry of Energy); **Recommendations 3** and **12** were directed to the Ontario Energy Board; and **Recommendations 4** through **10** were made to the Ministry of Municipal Affairs and Housing.

Overall Conclusion

The Ministry of Energy (Energy Ministry), the Ministry of Municipal Affairs and Housing (Municipal Affairs Ministry) and the Ontario Energy Board (OEB), as of August 1, 2023, had fully implemented 32% of the actions we recommended in our *2020 Annual Report*. The Energy Ministry, the Municipal Affairs Ministry and the Ontario Energy Board had made progress in implementing an additional 10% of the recommended actions.

Recommended actions that the Municipal Affairs Ministry has implemented include working with stakeholders to address inspection, compliance and enforcement issues identified by Ministry staff and municipal building officials with respect to the Ontario Building Code (Code); consulting with building officials to identify the guidance, tools and support they need to consistently interpret and implement the current 2012 Code's energy-efficiency requirements; and consulting with experts to strengthen the energy-efficiency requirements in the Code. However, the Municipal Affairs Ministry stated that it will not be implementing two of the recommended actions: to collect and analyze information from municipal building departments on inspections, compliance and enforcement of the Code, and to undertake a pilot assessment of builders' compliance with the Code's energy-efficiency provisions. While the Municipal Affairs Ministry stated that it does not have the statutory responsibility to implement these actions, our Office maintains that the Ministry, as the administrator of the *Building Code Act, 1992*, is uniquely positioned to assess and ensure that the Act is administered effectively throughout the province.

The Energy Ministry has fully implemented three of our recommended actions: ensuring that the OEB continues to work toward a natural gas conservation framework that balances the implementation of cost-effective natural gas conservation with the impact on ratepayers; finalizing a new memorandum of understanding with and issuing annual mandate letters to the OEB; as well as developing a plan to share building energy-use data with stakeholders. Recommended

actions that the Energy Ministry was in the process of implementing include developing a provincial long-term energy plan that includes fuels beyond electricity, and requiring natural gas and electricity utilities to provide building energy-use data using a consistent process.

The OEB has fully implemented three of our recommended actions: to identify methods to incorporate actual data for natural gas use into the evaluations that determine the impact of natural gas conservation programs; providing clarity as to when updated assumptions (such as consumer behaviour) are to be used in evaluations of conservation programs; and completing all high-priority multi-year assessments to update assumptions.

The status of actions taken on each of our recommendations is described in this report.

Background

Greenhouse gases released into the atmosphere through human activity have resulted in increased global temperatures, contributing to melting glaciers and sea ice, rising sea levels, extended heat waves and droughts, and more frequent and severe storms, flooding and wildfires. This is known as climate change. Climate change has had major impacts on biodiversity and ecosystems, infrastructure (such as transportation systems), food and water supply, human health and tourism. In response, jurisdictions around the world have established goals to reduce emissions and help address climate change. In 2018, Ontario established a target to reduce greenhouse gas emissions by 30% below 2005 levels by 2030.

Greenhouse gases are generated through various activities, but the largest contribution is from burning fossil fuels, including coal, transportation fuels, heating oil and natural gas. At the time of our 2020 audit, based on the most recent year of data (2018), Ontario's emissions were estimated at 165 megatonnes (Mt). At the time of our follow-up, based on the most

recent year of data (2020), Ontario's emissions were estimated at 150 Mt, with the decline in large part attributed to a decrease in transportation emissions.

In residential, commercial and institutional buildings, natural gas is the primary source of energy used for heating. Between 2005 and 2019 (the most recent full set of data available), natural gas use in the province increased by 2%, whereas its use in buildings increased by 13%. As a result, buildings are the third-largest source of emissions in Ontario, contributing 39 Mt, or 24% of the provincial total. Of these emissions, about 77% result from the use of natural gas.

Responsibility for programs and oversight related to reducing energy use in buildings is shared across two ministries and two agencies; only one agency was subject to this audit due to its focus on natural gas conservation:

- The Ministry of Municipal Affairs and Housing (Municipal Affairs Ministry) administers the *Building Code Act, 1992* and the Ontario Building Code, which includes energy-efficiency requirements for buildings.
- The Ontario Energy Board (OEB) is a quasi-judicial adjudicative body that regulates natural gas utilities. One of the OEB's statutory objectives in relation to natural gas is to promote energy conservation and energy efficiency in accordance with the policies of the government of Ontario.
- The Ministry of Energy (Energy Ministry) has oversight of the OEB. The Energy Minister may, with the approval of the Lieutenant Governor in Council, direct the OEB to take steps to promote energy conservation. The Energy Ministry also has responsibility for two energy reporting programs that separately apply to private- and public-sector buildings, and for setting efficiency standards for appliances and products used in buildings. In June 2021, the Energy Ministry was created from the former Ministry of Energy, Northern Development and Mines.

Overall, our audit in 2020 found that the Province was at risk of missing its 2030 emission-reduction target. This was in part because climate change and the reduction of greenhouse gas emissions were not yet a

cross-government priority, even though the government made a specific commitment in *Preserving and Protecting our Environment for Future Generations: A Made-in-Ontario Environment Plan* (Environment Plan) to make climate change a cross-government priority in order to meet the target. Although the 2018 Environment Plan was released by the Ministry of the Environment, Conservation and Parks (Environment Ministry), many programs and initiatives necessary to reduce emissions and meet the target require action by other ministries and agencies. At the time of our audit, we concluded that none of the three auditees (the Municipal Affairs Ministry, the OEB, or the Energy Ministry) focused on climate change or the reduction of greenhouse gas emissions in its decision-making. This will make it a challenge to reduce emissions enough to achieve Ontario's 2030 target.

Status of Actions Taken on Recommendations

We conducted assurance work between April 2022 and August 2023. We obtained written representation from the Municipal Affairs Ministry, the OEB and the Energy Ministry that effective November 9, 2023, they had provided us with a complete update of the status of the recommendations we made in the original audit in November 2020.

An Integrated Long-Term Natural Gas and Electricity Energy Plan Could Assist in Achieving Emission-Reduction Target

Recommendation 1

To co-ordinate energy decisions across government, we recommend that the Ministry of Energy, Northern Development and Mines develop an integrated long-term energy plan that aligns plans for the use of Ontario's major sources of energy (including natural gas) with the government's emission-reduction target. The energy plan

could incorporate and consider long-term industrial, commercial and housing development.

Status: In the process of being implemented by December 2024.

Details

In our 2020 audit, we found that fossil-fuel energy use produced about 77% of Ontario's greenhouse gas emissions. To achieve the emissions reductions target in the Environment Plan, Environment Ministry staff identified the need for a long-term energy plan that focuses on electricity, as well as other fuels, such as natural gas. At the time of our audit, the most recent Long-Term Energy Plan, which was released in October 2017, was marked as archived, and the Energy Ministry was reviewing the process for long-term energy planning.

In our follow-up, we found that in January 2021 the Energy Ministry posted a proposal notice on the Environmental Registry to consult on reforming its long-term energy planning process. The proposal made no mention of natural gas, but rather focused exclusively on energy planning related to electricity. In April 2022, the Energy Ministry closed the proposal notice with a report that summarizes stakeholder feedback, including that electricity planning should be integrated with other fuels in a holistic manner. Also in 2022, the Energy Ministry commissioned an independent, cost-effective pathways study to better understand how to optimize technology and prepare the energy system for electrification, and established an Electrification and Energy Transition Panel to advise the Energy Minister on how to co-ordinate long-term energy planning. The Energy Ministry expects the panel's report will be submitted to government in late 2023, advising on high-value short-, medium- and long-term opportunities in the energy sector. This includes opportunities to strengthen Ontario's long-term energy planning process by better co-ordinating the fuels and electricity sectors. The Energy Ministry informed us that it would consider recommendations from the panel's report and develop policy options for long-term planning reform. The Ministry indicated that any changes to Ontario's long-term planning framework will require additional

direction from government. The Ministry informed us that, at this time, it plans to complete this work by approximately December 2024.

Energy Ministry Not Implementing Initiatives in the Environment Plan to Reduce Building Emissions

Recommendation 2

To help Ontario meet its 2030 greenhouse gas emission-reduction target, we recommend that the Ministry of Energy, Northern Development and Mines work with relevant ministries, agencies and stakeholders to implement initiatives in the Made-in-Ontario Environment Plan, including increased cost-effective natural gas conservation, increased uptake of renewable natural gas, and the voluntary display of home energy-efficiency information.

Status: Little or no progress.

Details

We found in our 2020 audit that the Environment Plan showed the largest contribution to emissions reductions was expected to come from the Energy Ministry working with the OEB and natural gas utilities to increase cost-effective natural gas conservation. However, the Energy Ministry informed the Environment Ministry to expect a continuation of the programs in place, with no planned increase in conservation. The Energy Ministry had provided no direction to the OEB to update its natural gas conservation framework and instead deferred to the OEB on future natural gas conservation. In turn, the OEB relied on natural gas utilities, and Enbridge in particular, to voluntarily offer conservation programs.

In our follow-up, we found that the Energy Ministry has made little progress working with stakeholders to implement initiatives in the Environment Plan. We found that in November 2020 the then Associate Energy Minister co-wrote a letter with the Environment Minister to the OEB. The letter expressed support for increased natural gas conservation, but also clarified that the Environment Plan estimate of emissions reductions through natural gas conservation is not a

prescriptive target that the OEB is expected to facilitate through ratepayer-funded conservation programs.

In December 2020, the OEB referenced the November 2020 letter when inviting Enbridge Gas to develop new natural gas conservation programs. During our follow-up, the OEB approved an application from Enbridge for natural gas conservation programming beginning in January 2023. According to Enbridge, the programming for 2023–27 is expected to result in similar annual gas savings, and therefore emission reductions, as in 2018—the year the Environment Plan was released. In November 2022, the OEB approved the new natural gas conservation program for 2023–2025.

We also found in our 2020 audit that the Environment Plan expected 2.3 Mt of emissions reductions to come from an increase in the use of renewable natural gas. This was to be achieved by requiring utilities to offer renewable natural gas to their customers. At the time of our audit, no such requirement had been made by either the Energy Ministry or the OEB. Additional emissions reductions from renewable natural gas use were also expected to come from the Energy Ministry and the Environment Ministry working together to develop additional policy measures. However, the Energy Ministry had asked the Environment Ministry to relieve it of any responsibilities related to renewable natural gas in the Environment Plan.

In our follow-up, we found that there continues to be no requirement for utilities to offer renewable natural gas. Despite the absence of a requirement, Enbridge, the natural gas utility that serves 3.7 million customers in Ontario (99.7% of all natural gas customers), has begun to voluntarily offer renewable natural gas to its customers. The program launched in April 2021, and over 800 customers had enrolled as of January 2022. This level of participation is far less than the 16,000 first-year customers projected by Enbridge before the OEB approved the program. However, in October 2022, Enbridge Gas proposed to gradually increase the percentage of renewable natural gas in its supply to 4% by 2028. The cost of renewable natural gas not voluntarily purchased by customers would be shared by all Enbridge customers at an average cost of up to \$8 per month per customer by 2028. At the time

of our follow-up, the OEB had not made a decision on this proposal. EPCOR Natural Gas serves the remaining 0.3% of regulated natural gas customers in Ontario and, according to the Energy Ministry, has no plans to offer a voluntary renewable natural gas program. The Energy Ministry has indicated to our Office that further work regarding renewable natural gas is the responsibility of the Environment Ministry.

Our 2020 audit also found that, although the 2018 Environment Plan assigned responsibility to the Energy Ministry to work with the Ontario Real Estate Association to encourage the voluntary display of home energy-efficiency information on real estate listings, no progress had yet been made. In response to our recommendation, the Energy Ministry acknowledged the importance of energy-efficiency data for home purchasers and committed to re-engaging with the Ontario Real Estate Association to explore the voluntary display of home energy ratings on real estate listing services.

In our follow-up, we found that in March 2022, the Energy Ministry had an initial meeting with the Ontario Real Estate Association, and other associations, to discuss voluntary home energy ratings. The Energy Ministry has also connected with other relevant partners, including Natural Resources Canada, which has been directed via a federal mandate letter to implement home energy labelling at time of sale. In December 2022, the Energy Ministry co-ordinated a meeting with Natural Resources Canada, the Ontario Real Estate Association and the Canadian Real Estate Association to discuss the voluntary display of home energy-efficiency information on real estate listings. The Energy Ministry told our Office that it will continue to support federal leadership in this area, and that it participated with provincial and other partners on a Natural Resources Canada Energy Labelling Working Group that was formed to support implementation of federal direction to Natural Resources Canada on home energy labelling.

The Energy Ministry has, however, implemented an Environment Plan commitment to work with natural gas and electricity utilities to implement the Green Button data standard. This is further discussed in our follow-up to **Recommendation 17**.

At the time of our follow-up, we found that the Environment Ministry has not been transparent with the public about the status of the Environment Plan and its described path to meet Ontario's 2030 emission-reduction target. Despite posting updates online on actions taken to implement commitments in the Plan, the Ministry has not posted a decision notice or update on the Environmental Registry on its 2018 proposal for the Environment Plan (see our 2022 report on the Operation of the *Environmental Bill of Rights, 1993* for more information).

Recent Ontario Energy Board Decisions Could Undermine Environment Plan Goal to Cost-Effectively Switch Buildings from High-Carbon Heating to Electricity

Recommendation 3

So that the Ontario Energy Board's decisions support the government's emission-reduction goals, we recommend that the Ontario Energy Board align its decisions with the Environment Plan and any other provincial climate change goals.

Status: Will not be implemented.

Details

In our 2020 audit, we found that prior decisions by the OEB could undermine the Environment Plan's goal to, where cost-effective, switch building heating from high-carbon fuels to low-carbon electricity. For example, in 2020, the OEB approved an Enbridge proposal to construct a \$10.1 million natural gas pipeline to connect new customers in North Bay. The OEB deemed the project as being consistent with government energy and economic development policies. The approval was granted despite the cost to existing ratepayers and the availability of an electric alternative that was both lower cost and consistent with the government's Environment Plan.

In our follow-up, we found that the OEB will not be implementing this recommendation. The OEB noted that its independent adjudicative decision-making cannot be bound by a specific predetermined

outcome, such as a requirement to align with provincial climate change goals. The OEB further stated that it will continue to act with due regard to all of its legislated objectives, the "just and reasonable" standard for natural gas rates, and applicable government policy as may be articulated in legislation or a directive. Although the Environment Plan was developed to comply with legislation, the Environment Plan itself is not in legislation nor is it a directive. As discussed in **Recommendation 2**, at the time of our follow-up, we found that the Environment Ministry has not been transparent with Ontarians about the status of the Environment Plan.

In our follow-up, we found that in May 2021 the OEB denied an Enbridge proposal to replace a natural gas pipeline in Ottawa. The OEB concluded that Enbridge had not carried out a detailed assessment of a less costly retrofit alternative. As part of its decision, the OEB also encouraged Enbridge to undertake in-depth analyses of alternatives that specifically include energy conservation and de-carbonization efforts.

We also found that the OEB issued a decision and order in July 2021 regarding Enbridge's integrated resource plan proposal. This established a first-generation framework for Enbridge that creates a new assessment process for alternatives to natural gas infrastructure expansion to meet Ontario's natural gas system needs. This includes cost-effective alternatives that could reduce natural gas demand. However, the OEB concluded that it is not appropriate for natural gas ratepayers to finance electricity alternatives in the same manner as natural gas infrastructure. This is despite the Environment Plan's goal to support fuel switching, and Enbridge stating that this limitation will undermine the ability of integrated resource planning to respond to system expansion needs, which, by its very nature, involves connecting new customers. Though the OEB instead determined that Enbridge can seek opportunities to work with the Independent Electricity System Operator or local electricity distributors to facilitate electricity-based solutions to reduce natural gas system costs, Enbridge argued that there is no evidence that electricity sector entities are interested in funding projects to reduce natural gas system

costs and that there is no provincial policy to support such a transfer of costs.

The Energy Minister provided the OEB with a mandate letter in November 2021. The letter, which is publicly available on the OEB's website, outlines the Minister's interest in increasing natural gas conservation savings and reducing greenhouse gas emissions. The Minister also stated that it is important that natural gas conservation enables customers to reduce energy bills in the most cost-effective way possible, regardless of whether that is through more efficient natural gas or electric equipment. In July 2023, Enbridge submitted to the OEB an integrated resource plan proposal for Parry Sound that includes electrification as a pilot project. Enbridge argued that broader implementation of electrification in the future will require integrated energy planning across energy sources, and that a pilot project would support and inform future work.

The Energy Minister provided the OEB with a renewed Letter of Direction (formerly called mandate letters) in October 2022. The letter included an expectation that the OEB provide Ontario's Electrification and Energy Transition Panel (Panel) with advice on potential changes to the OEB's mandate and operations, to support the transformation of the energy sector. The OEB provided its report to the Panel in June 2023, which advised that the *Ontario Energy Board Act, 1998* could be updated to include a specific reference to reducing greenhouse gas emissions, and that co-ordination and planning alignment between the natural gas and electricity sectors is critical.

In the proceeding on the application from Enbridge for approval of multi-year natural gas conservation programming to begin in January 2023, OEB staff made a submission to the OEB in May 2022 on Enbridge's application. The OEB staff submission referred to the November 2021 mandate letter and the Environment Plan when noting the tension between natural gas conservation and Enbridge's core business as a natural gas utility. OEB staff recommended that conservation should lead to tangible reductions in overall natural gas usage, and indicate that conservation funding is

not to be used to incentivize continued reliance on natural gas and that larger budgets and shareholder incentives could be established for Enbridge to reward significantly higher natural gas reductions. The OEB issued its decision on Enbridge's multi-year natural gas conservation framework in November 2022. The decision approved funding for a new joint home retrofit program between Enbridge Gas and Natural Resources Canada that includes incentives for measures to allow customers to switch away from natural gas heating, and an incentive for Enbridge to reduce its overall natural gas sales volume.

The new Enbridge multi-year natural gas conservation framework took effect on January 1, 2023, and Enbridge is in the process of delivering the programs in the framework. As required by the OEB's November 2022 decision, a Demand Side Management Stakeholder Advisory Group has been established to provide input on natural gas conservation and energy-efficiency projects and plans.

The OEB expects that the impacts of its decision, as well as Enbridge's integrated resource planning framework, on future adjudicative proceedings should be realized by November 2024. The OEB told us that, through its policies and the independent adjudication of applications, the OEB has promoted natural gas conservation and energy efficiency in accordance with the policies of the government of Ontario, and will continue to do so.

Municipal Affairs Ministry Does Not Effectively Oversee Administration of the Building Code's Energy-Efficiency Requirements

Recommendation 4

To support the effective administration of the Ontario Building Code's energy-efficiency requirements across the province, we recommend that the Ministry of Municipal Affairs and Housing:

- *collect, review and analyze information on inspections, compliance and enforcement from municipal building departments;*

- *undertake a pilot assessment of energy efficiency compliance, using best practices developed by other jurisdictions (e.g., a statistically representative sample of building types and sizes, and a range of data collection methods);*

Status: Will not be implemented. The Office of the Auditor General continues to support the implementation of this recommendation.

Details

In our 2020 audit, we found that, although the Municipal Affairs Ministry is responsible for administering the *Building Code Act, 1992* and the Ontario Building Code (Code), it exercises little oversight on whether the Code is being properly implemented across the province. In particular, the Ministry does not collect information to assess compliance with the Code's energy-efficiency provisions. Studies from other jurisdictions have found compliance with energy-efficiency requirements in building codes is often low, thus reducing expected energy cost savings and benefits from reductions in greenhouse gas emissions.

In our follow-up, we found that the Ministry had not taken any steps to collect information on inspections, compliance or enforcement, nor undertaken a pilot assessment of compliance with the energy-efficiency provisions of the Code. The Ministry reiterated its position that our recommendation relates to enforcement, rather than administration, of the Code's energy-efficiency requirements and does not fit within the Ministry's statutory responsibility under the *Building Code Act, 1992*. Our Office continues to take the position that, while municipalities (and other principal authorities) have been delegated responsibility for inspecting and enforcing compliance with the Code within their specific areas of jurisdiction, the Ministry, as the administrator of the *Building Code Act, 1992*, is uniquely positioned to assess and ensure that the Act, and how it is administered across the province, is effective.

- *work with municipalities and other stakeholders to develop and implement processes to address identified inspection, compliance and enforcement issues.*

Status: Fully implemented.

In our follow-up, we found that in February 2022, the Municipal Affairs Ministry convened a focus group composed of staff and building officials. The group was to review and provide advice on draft questions related to Code compliance, enforcement, and inspection practices to be included in a municipal survey. The group finalized a survey that the Ministry sent out in April 2022 to municipal building officials in Ontario. The Ministry informed us that in December 2022 it finalized its review of the responses and disseminated information to associations representing building officials on the best practices on verifying compliance with energy-efficiency requirements.

Recommendation 5

To help support consistent interpretation and implementation of the Building Code's energy-efficiency requirements across municipalities, we recommend that the Ministry of Municipal Affairs and Housing:

- *consult with building officials to identify support gaps;*

Status: Fully implemented.

Details

In our 2020 audit, we found that, although the Municipal Affairs Ministry provided educational materials and information to building stakeholders to improve their understanding of the Ontario Building Code's energy-efficiency requirements, the Ministry did not have sufficient resources and expertise to fully meet stakeholders' needs. At the time of our audit, the Ministry was considering delegating a number of Code-related services, including providing support to municipalities, to a new administrative authority. In July 2020, the *Protecting Tenants and Strengthening Community Housing Act, 2020* received royal assent. The Act included enabling amendments to the *Building Code Act, 1992*, to allow the establishment of an administrative authority.

In our follow-up, we found that the Ministry has not yet established an administrative authority. However, from September 2020 to December 2021 the Ministry

consulted with stakeholders on a variety of topics relating to a potential administrative authority, including additional guidance and tools that might be provided to building practitioners. As discussed in our follow-up on **Recommendation 4**, the Ministry convened a focus group to develop a municipal building code survey, which it sent out to municipal building officials in April 2022. The Ministry reviewed the responses and, in December 2022, it disseminated information on support gaps to associations representing building officials, who sent the information to its members. In addition, the Ministry shared this information on support gaps with training providers to support any planned updates to training course content and materials related to the Building Code's energy-efficiency requirements.

- *review and update the Ministry's support materials and advisory services to ensure that building officials receive the guidance materials and technical information they need.*

Status: Little or no progress.

At the time of our follow-up, we found that in September 2021 the Ministry released an update to a 2018 guidance document for building regulators that provides technical information on energy efficiency improvements for housing. The Ministry's support materials are up to date with the current energy-efficiency requirements in the current 2012 Building Code. With the publication of the 2020 National Construction Codes in March 2022, the formal timeline began for the Ministry to create the next edition of Ontario's Building Code. To support implementation of the next edition of Ontario's Code, the Ministry will update its current guidance materials (e.g., technical bulletins) once the Code's energy-efficiency changes have been finalized. The Ministry indicated that it will identify guidance documents being developed by the National Research Council of Canada on energy-efficiency requirements to incorporate into the Ministry's support materials. At the time of our follow-up, however, the Ministry was still undecided whether to deliver the Ontario Building Code advisory services through an administrative authority, a third party, and/or on an in-house basis.

Municipal Affairs Ministry Does Not Evaluate Whether Building Code's Energy-Efficiency Requirements Produce Intended Energy Reductions

Recommendation 6

So that the Ministry of Municipal Affairs and Housing is aware of the effectiveness of the Code's energy-efficiency requirements at achieving the energy reductions expected, we recommend that the Ministry establish and implement processes and requirements, such as air tightness testing and updated key performance indicators, that evaluate and verify the efficacy of the Ontario Building Code's energy-efficiency requirements.

Status: Little or no progress.

Details

In our 2020 audit, we found that although the Ontario Building Code has been updated four times since 1975 to improve energy-efficiency requirements for new buildings, the Municipal Affairs Ministry had not evaluated the Code's effectiveness in producing the intended energy reductions. The Ministry agreed with our recommendation and stated it would work with building industry stakeholders and experts to examine ways to assess the energy performance outcomes of new houses and buildings.

In our follow-up, we found that the Ministry has not established or implemented any processes or requirements to evaluate and verify the efficacy of the Code's energy-efficiency requirements. As discussed in our follow-up on **Recommendations 4** and **5**, the Ministry surveyed the province-wide community of municipal building officials in April 2022. Among other things, this survey solicited input on evaluating post-construction energy performance of houses and buildings. The Ministry has advised our Office that any decision to implement outcome-based energy requirements would be taken after Ontario's energy-efficiency requirements are finalized between 2022 and 2023, following the publication of the 2020 National Construction Codes. In January 2022, the Ministry posted a proposal notice on the Environmental Registry to update the Ontario Building Code. The Ministry proposed to encourage, but not require, the use of air-tightness testing in the

construction of new houses. If approved, the Ministry plans to file the next edition of Ontario's Building Code in winter 2024, with an in-effect date of March 2024.

Delay in Updating Energy-Efficiency Requirements in Building Code Means Lost Opportunities to Save Energy and Reduce Emissions

Recommendation 7

So that there is a continued improvement in the energy efficiency of buildings, and reductions in the greenhouse gas emissions they produce, we recommend that the Ministry of Municipal Affairs and Housing:

- *consult with experts to strengthen the requirements in the Ontario Building Code—including as part of any harmonization process;*

Status: Fully implemented.

Details

In our 2020 audit we found that, in 2016/17, the Municipal Affairs Ministry developed a set of energy-efficiency improvements to the Ontario Building Code that it had proposed to phase in by 2022, but which were never adopted. The proposed changes would have increased the energy efficiency of new houses and other buildings by approximately 20% over the current Code. In November 2018, the Ministry received government direction to not proceed with the proposed changes and to instead focus on harmonizing the Ontario Building Code with the National Construction Codes. Every year that goes by without more stringent energy-efficiency requirements in place locks in higher energy use and greenhouse gas emissions for thousands of new buildings, likely for decades.

In our follow-up, we found that in 2022 the Ministry posted for consultation on the Regulatory Registry, as well as on the Environmental Registry (see #019-4974 and #019-6211), proposed changes to harmonize energy-efficiency provisions with the 2020 National Construction Codes. As well, the Ministry is engaging with stakeholders, including subject-area experts, on the draft energy-efficiency requirements in the National Construction Codes. The Ministry concluded consultations on energy-efficiency requirements for the next edition of the Building Code in December 2022. The Ministry will assess the results of each of these consultations prior to drafting any amendments to the Ontario Building Code. The Ministry anticipates filing the next edition of the Building Code, if approved, in winter 2024, with an in-effect date of March 2024. At the time of our follow-up, no decisions had yet been made, and decision notices had not been posted on the Environmental Registry for these regulatory proposals.

- *ensure that harmonization continues to strengthen rather than weaken the Ontario Building Code's energy-efficiency requirements.*

Status: In the process of being implemented by March 2024.

Details

In our 2020 audit we found that, as part of the federal government's commitment to adopt net-zero-energy-ready building codes by 2030, the proposed 2020 updated National Codes introduced a tiered approach to energy efficiency that outlines a path toward lower greenhouse gas emissions and energy use. Five tiers were proposed for houses and four tiers for large buildings. As we noted at the time of our audit, whether harmonization would improve the energy-efficiency requirements of Ontario's Building Code depends on how the Province chooses to harmonize with federal requirements.

In our follow-up, the Ministry indicated to our Office that it is committed to avoiding a reduction in energy efficiency standards as a result of harmonizing with the National Construction Codes. As part of its proposal notice on the Environmental Registry in January 2022, the Ministry indicated its plan to adopt Tier 3 for houses and Tier 1 for large buildings. According to a preliminary analysis conducted for the Ministry, Tier 3 represents an average improvement in energy efficiency of 10% for houses over the current Code requirements. Estimates prepared for the National Research Council of Canada indicate that Tier 1 represents an average improvement in energy efficiency of 8.5% for large gas-heated buildings. For large electrically heated buildings, the average improvement is estimated to be 6.8%. The selection of single tiers contrasts with British Columbia's multi-tiered approach, which allows municipalities to adopt more stringent standards than the provincial building code. The new National Construction Codes were released in March 2022. In December 2022, the Ministry concluded consultations on energy-efficiency requirements for the next edition of the Building Code, including Tier 3 for houses and Tier 1 for all other buildings. At the time of our follow-up, a decision had not been made. If approved, the Ministry plans to file a new edition of the Ontario Building Code in winter 2024, with an in-effect date of March 2024.

Lack of Energy-Efficiency Standards for Renovations Misses Opportunity to Reduce Energy Use and Greenhouse Gas Emissions

Recommendation 8

So that energy and greenhouse gas reduction opportunities are realized on a timely basis, we recommend that the Ministry of Municipal Affairs and Housing, through consultation with stakeholders, assess opportunities to address emissions reductions through effective energy-efficiency requirements for renovations, including as part of any Building Code harmonization process, and put the effective requirements into place.

Status: Little or no progress.

Details

In our 2020 audit, we found that the Ontario Building Code does not meet best practices and require energy-efficiency upgrades at the time buildings are renovated. In 2017, the Municipal Affairs Ministry consulted and developed new energy-efficiency requirements for extensive renovations. In 2018, however, the Ministry was directed not to proceed with the proposed requirements and instead focus on harmonizing the Ontario Building Code with the National Construction Codes. Although the National Construction Codes are in the process of being updated by the National Research Council, energy-efficiency requirements for renovations were not anticipated until the next update in 2025, further delaying opportunities to reduce Ontario's greenhouse gas emissions from the building sector.

In our follow-up, we found that the Ministry had not yet consulted stakeholders to assess opportunities to reduce emissions through energy-efficiency requirements for renovations. However, in August 2021, the Ministry sent a letter to the National Research Council indicating that energy-efficiency requirements for renovations should be a key priority for its work. To assist, the Ministry stated that it would share information and the proposals it developed in 2017 with the Council. The Ministry indicated to our Office that it would then

consider implementing renovation requirements in the 2027 edition of the Ontario Building Code, once they have been included in 2025 National Construction Codes.

Registered Building Practitioners Have Knowledge Gaps on Energy Efficiency

Recommendation 9

So that building practitioners have the knowledge needed to ensure compliance with the Ontario Building Code's energy-efficiency requirements, we recommend that the Ministry of Municipal Affairs and Housing work with stakeholders to:

- *develop a mandatory training and continuous professional development program;*
- *update exams in a timely manner to reflect energy-efficiency changes to the Code; and*
- *ensure that exams are designed to demonstrate a sufficient understanding of the Code's energy-efficiency requirements.*

Status: Little or no progress.

Details

In our 2020 audit, we found that gaps exist in building practitioners' knowledge of energy efficiency and low-carbon building techniques. We identified several factors including that:

- no mandatory training or continuous professional development requirements exist for registered building practitioners on energy efficiency;
- a majority of practitioners qualified under earlier versions of the building code, and few have taken official energy-efficiency training courses;
- the exams are not updated in a timely fashion to reflect changes made to the Ontario Code; and
- the examination process does not effectively demonstrate an understanding of energy-efficiency requirements in practice.

In our follow-up, we found that in December 2021 the Municipal Affairs Ministry consulted with

stakeholders to seek input on Building Code exams, practitioner qualification and training, and recruitment of future building officials. This consultation was conducted as part of the Ministry's broader consultations with regard to potentially establishing a new administrative authority as discussed in our follow-up on **Recommendation 5**. In April 2022, the Ministry hired a third-party vendor to review and provide recommendations on potential improvements to the qualification program for building practitioners. This review included interviews with a cross-section of building industry stakeholders and those involved in training and administering Building Code exams. Following this review, the Ministry released a discussion paper on the Environmental Registry (see #019-6433) for public consultation on potential future enhancements and operational changes to its qualification program, including proposals for mandatory training and continuous professional development. The Ministry will review the comments received, and future direction on program enhancements will be subject to a government decision. The Ministry will also assess the need for updated exam questions once changes to a new edition of the Building Code are approved and finalized.

Training and Oversight of Builders in the Code's Energy-Efficiency Requirements Is Lacking

Recommendation 10

So that builders, contractors and other skilled trades have the knowledge needed to ensure compliance with the Ontario Building Code's energy-efficiency requirements, we recommend that the Ministry of Municipal Affairs and Housing work with the relevant ministries (e.g., the Ministry of Labour, Training and Skills Development and the Ministry of Government and Consumer Services) to ensure that training and continuous professional development is required and provided for all building professionals.

Status: Little or no progress.

Details

In our 2020 audit, we found that limited training on energy efficiency is provided to, and undertaken by, builders, general contractors and site supervisors. These are the people who are on-site while buildings are under construction and who therefore play a critical role in ensuring that Ontario Building Code requirements are met. Several other jurisdictions have addressed the lack of builder qualifications through mandatory training or continuing professional development requirements.

In our follow-up, we found that the Municipal Affairs Ministry held a stakeholder consultation in December 2021, as discussed in our follow-up on **Recommendations 5** and **9**. This consultation included a discussion on how to improve the training provided to building practitioners. The Municipal Affairs Ministry plans to use feedback received from this session and findings from the consultant's report (as discussed in the Ministry response to **Recommendation 9**) in future discussions with the Ministry of Labour, Immigration, Training and Skills Development (formerly the Ministry of Labour, Training and Skills Development) and the Ministry of Public and Business Service Delivery (formerly the Ministry of Government and Consumer Services) on potential enhancements to training and continuous professional development for building professionals to help support compliance with Building Code energy-efficiency requirements. The Municipal Affairs Ministry indicated that it will also assess the need for updated support materials once changes to a new edition of the Building Code are approved and finalized.

Ontario Energy Board's Natural Gas Framework Can Evolve to Achieve More Cost-Effective Natural Gas Savings for the Longer Term

Recommendation 11

To achieve natural gas conservation savings and to minimize future costs, we recommend that the Ministry of Energy, Northern Development and Mines ensure that the Ontario Energy Board continue to work toward a natural gas conservation framework that balances the implementation of cost-effective natural gas conservation with the impact on ratepayers.

Status: Fully implemented.

Details

In our 2020 audit, we found that the OEB had not enabled all cost-effective natural gas conservation to be undertaken, as it set a budget cap on allowed investments in conservation. This cap was used to set the limit on costs that could be charged at \$2.00 per month for the average residential ratepayer for the duration of the 2015–20 natural gas conservation framework. Without a cap, ratepayers could have received a net benefit of \$4.7 billion in avoided costs by 2045 associated with reduced natural gas use.

In our follow-up, we found that the Energy Minister provided the OEB with a mandate letter on November 2021. The letter outlines the Minister's expectation that a new natural gas conservation framework be implemented to help reduce ratepayers' energy bills in the most cost-effective way possible. The OEB approved a new 2023–2025 natural gas conservation framework in November 2022, which came into effect in January 2023. The approval includes a 2023–2025 budget that will continue to cost typical residential customers less than \$2.00 per month, and a new stakeholder advisory group to identify potential cost-effective natural gas conservation opportunities for 2026–2030.

Ontario Energy Board Has Not Ensured the Most Accurate Estimates Are Used in Calculating Natural Gas Savings

Recommendation 12

To more accurately estimate the natural gas savings achieved through natural gas conservation programs, we recommend that the Ontario Energy Board:

- *ensure the next framework is explicit on when to use updated assumptions (retroactively or not);*

Status: Fully implemented.

Details

In our 2020 audit, we found that the OEB used outdated assumptions when calculating the amount of natural gas savings attributed to conservation programs. For example, if the OEB had used updated assumptions with respect to the number of participants who would have installed a conservation measure even in the absence of a program targeted at industrial facilities, the amount paid to the utilities for natural gas conservation in 2015 would have been reduced by \$4.3 million. The OEB accepted the utilities' argument to use the historical rate on the basis that 2015 was a transition year to a new natural gas conservation framework.

In our follow-up, we found that this recommendation was addressed as part of the OEB's November 2022 decision on Enbridge's multi-year natural gas conservation program application. With OEB staff support, the OEB approved Enbridge's proposal that changes to input assumptions should be applied retroactively to the past year being evaluated. This approved approach is to be applied to all but certain mass-market programs, for which Enbridge argues it has less direct influence on program participation. Input assumptions for these mass-market programs will be applied to the year after assumptions change.

- *complete all multi-year assessments that it has identified as high priority;*

Status: Fully implemented.

Details

In our 2020 audit, we found that in 2016 the OEB identified the need to conduct multi-year assessments to update the assumptions used to estimate utilities' natural gas savings. In particular, the OEB identified the need to update the assumptions used for participation in home retrofit programs, but that the study had not yet been completed. Without such an assessment, calculated savings attributable to a residential conservation program may continue to rely on inaccurate inputs—thus affecting both the amount paid to utilities and the ability to measure and improve conservation programs.

In our follow-up, we found that the OEB's evaluation contractor (third-party auditor) submitted to the OEB a recommended evaluation plan for 2021–22 that identified three priority assessments. The OEB indicated that it had completed the annual verification process of natural gas conservation programs for 2020 and 2021 with the issuance of reports in December 2021 and November 2022, respectively. Further, the verification of Enbridge's e-tools software was completed with the issuance of a report in January 2023. The OEB indicated that this completed the high-priority evaluation items identified by the evaluation contractor, with the exception of one relating to Enbridge's Residential Home Retrofit. This evaluation will not be undertaken because the program will change due to the OEB's decision on Enbridge's natural gas conservation program application, and a partnership between Enbridge and Natural Resources Canada to deliver a joint home retrofit program.

- *identify methods to further incorporate actual natural gas use data, as recommended by its evaluation contractor.*

Status: Fully implemented.

Details

In our 2020 audit, we found that in 2016 the OEB's evaluation contractor recommended that the savings attributed to conservation program results be calibrated using an analysis of residential participants' natural gas bills starting in 2017. Despite this

recommendation, the OEB instead continued to rely on the results from simulation models to estimate the amount of natural gas savings achieved in each retrofitted home.

In our follow-up, we found that the OEB has identified methods to incorporate actual natural gas use data into its evaluation work. The 2020 natural gas conservation annual verification report issued in December 2021 explains the OEB's plan to use this data in future evaluation work.

Energy Ministry Providing Unclear Guidance to the OEB on Natural Gas Conservation

Recommendation 13

To clearly and transparently outline its expectations of the Ontario Energy Board, we recommend that the Ministry of Energy, Northern Development and Mines:

- *work with the Ontario Energy Board to finalize a new memorandum of understanding, as required by the Ontario Energy Board Act, 1998 and the Agencies and Appointments Directive;*

Status: Fully implemented.

Details

In our 2020 audit, we found that the Energy Ministry had not ensured guidance to the OEB was up to date. Under the *Ontario Energy Board Act, 1998*, the Energy Ministry is required to enter into a memorandum of understanding with the OEB every three years. Further, the *Agencies and Appointments Directive* states that provincial agencies such as the OEB must have a memorandum in place with the overseeing ministry. The 2016 memorandum of understanding expired in April 2019 and by October 2020 a new memorandum of understanding still had not been signed.

In our follow-up, we found that the Ministry and the OEB entered into a new, three-year memorandum of understanding in February 2021.

- *issue annual mandate letters to the Ontario Energy Board, as required by the Agencies and Appointments Directive.*

Status: Fully implemented.

Details

In our 2020 audit, we found that the Energy Ministry had also been required by the *Agencies and Appointments Directive* since 2016 to issue an annual mandate letter to the OEB, outlining broad expectations with respect to service and performance priorities. However, ministries are not required to provide a mandate letter in years when the agency undergoes a mandate review. The OEB had a mandate review in 2016/17 and continued to be reviewed by the OEB Modernization Review Panel in 2017/18. In October 2020, the new OEB governance structure came into effect and the Energy Ministry issued its first mandate letter to the OEB.

In our follow-up, we found that the Energy Minister issued the OEB a mandate letter in November 2021. The Energy Minister provided the OEB with a subsequent Letter of Direction (formerly called mandate letters) in October 2022.

Recommendation 14

To assess and monitor whether the Ontario Energy Board (OEB) is achieving its mandated objectives, particularly in the area of energy conservation as required under the Ontario Energy Board Act, 1998, we recommend that the Ministry of Energy, Northern Development and Mines:

- *regularly request that the OEB prepare and submit a report on the effectiveness of its policies and initiatives in achieving desired outcomes and mandated objectives, including the promotion of natural gas conservation and energy efficiency; and*
- *table the OEB's effectiveness reports in the Legislative Assembly.*

Status: Little or no progress.

Details

In our 2020 audit, we found that the Energy Ministry had not thoroughly assessed the OEB's effectiveness in meeting mandated objectives. Before the *Ontario Energy Board Act, 1998* was amended in October 2020, the Energy Minister was required to have a report prepared every five years on the OEB's effectiveness in meeting its legislated objectives, which include promoting natural gas conservation and energy efficiency. Despite these requirements, and similar requirements in the 2016 memorandum of understanding, the Energy Ministry and the Minister never thoroughly assessed the effectiveness of the OEB in meeting its legislated objectives.

In our follow-up we found that, following consultation with the OEB to assess when a review would provide the most value in evaluating the OEB's effectiveness, the Energy Ministry has determined that it will consider conducting an effectiveness review following the implementation of the OEB's current 2022/23 to 2024/25 business plan in 2026 or later. After completing such a review, the Ministry would plan to table a report on the review in the Legislative Assembly.

Building Energy Reporting Programs Include Inaccurate and Incomplete Data

Recommendation 15

To improve the accuracy of the energy-use data received, and the effectiveness of its energy reporting and benchmarking programs, we recommend that the Ministry of Energy, Northern Development and Mines require periodic third-party verification of submitted data, or conduct energy audits of building samples that include those with likely errors.

Status: Little or no progress.

Details

In our 2020 audit, we found that the Energy Ministry does not require that the energy-use data it receives from broader-public-sector and private-sector buildings be independently verified for accuracy. For data submitted in 2018, 67% of the building owners that were

required to verify their data indicated they had done so. In 2019, the Ministry analyzed the self-reported private-sector data collected in 2018 and found that 30% of reported buildings had either missing or likely inaccurate data.

In our follow-up, we found that the Energy Ministry has developed internal standard operating procedures for Ministry staff to follow when reviewing and preparing the reported data on public and private building energy use. According to the Ministry, the goal is to ensure the reporting process is more streamlined, clear and consistent from year to year. The Energy Ministry has also developed a methodology to clean the datasets to identify and treat atypical data. The Ministry has informed our Office that, though it will continue to explore options for improving accuracy of reported data, and will work with the public and private building sectors to explore data validation approaches in the future, it has made no commitment to require periodic third-party verification of submitted data, or to conduct energy audits of building samples that include those with likely errors.

Recommendation 16

To improve the completeness of the energy-use data received, and the effectiveness of its energy reporting and benchmarking programs, we recommend that the Ministry of Energy, Northern Development and Mines:

- *implement best practices to enforce compliance with its private-sector energy reporting programs;*

Status: Little or no progress.

Details

In our 2020 audit, we found that the Energy Ministry's lack of enforcement of energy-reporting requirements under the *Electricity Act, 1998* results in the Ministry receiving incomplete data from its private-sector energy reporting program participants. In 2019, data was received from 45% of private-sector buildings that were required to report.

In our follow-up, we found that the Energy Ministry continues to work with stakeholder groups to raise awareness of the reporting requirement and

provide training. In August 2022, the Ministry created a task force that concentrates on initiatives to improve compliance. The Ministry is also using a new commercial property database to improve the quality of its contact information for those required to report building energy use. The Ministry continues to work with stakeholders to identify and reduce areas of burden on reporters to support increased compliance, and to hold training and transition webinars for interested reporters. The Ministry also conducted outreach to new reporters, and launched a targeted social media campaign in March 2023. To support increased compliance, the Ministry also extended the deadline for submitting 2022 reporting year data. However, the Ministry has not committed to enforcing compliance with its private-sector energy reporting regulation.

- *expand the reporting requirements to include broader-public-sector buildings that have high energy consumption, such as social housing and long-term-care homes;*

Status: Little or no progress.

Details

In our 2020 audit, we found that the Energy Ministry line has incomplete data in its broader-public-sector reporting program because it does not require some of the most energy-intensive public buildings to report their energy use. For example, in 2019, the Ministry received data from just 44 of the approximately 100 public long-term-care homes in Ontario, and from 54 of the over 350 municipal social housing buildings.

In our follow-up, we found that the Energy Ministry has made no commitment to expand the reporting requirements to include broader-public-sector buildings that consume high amounts of energy, such as social housing and long-term-care homes. The Ministry cited the burdens these particular building owners and operators already have experienced during COVID-19. The Ministry will explore options to add these building types to the regulation.

- *ensure voluntary participants have access to their utility data.*

Status: Little or no progress.

Details

In our 2020 audit, we found that the Energy Ministry requires utilities to provide energy use data only to mandatory program participants—not to voluntary private-sector reporters. Making the collection of energy data easier for building owners and operators would likely result in higher rates of voluntary energy reporting. In turn, including information from buildings below the mandatory reporting size threshold would improve the completeness of Ontario's energy use data on private-sector buildings.

In our follow-up, we found that the Ministry has been engaging with the utility sector on an ongoing basis to encourage adoption of practices to make it easier for building owners to acquire the data required to report. The Ministry has created a best practices document for utilities when providing energy-use data. It is also establishing a task force dedicated to resolving data-sourcing issues for buildings. The Ministry received energy reports for 350 buildings in 2021 that were submitted voluntarily, which is an increase of 40% from the previous year. Although a previously planned regulatory change in reporting requirements has increased the number of mandatory participants that utilities are required to provide data to, the Ministry has made no commitment to ensure utilities provide data to voluntary reporters. The Ministry notes that Ontario has many more utilities to work with compared with other jurisdictions with energy-reporting requirements.

Recommendation 17

To reduce the administrative burden on reporters, such as building owners, and help improve both the accuracy and completeness of the energy-use data received, we recommend that the Ministry of Energy, Northern Development and Mines require utilities to submit data directly to the Ministry using a consistent process.

Status: In the process of being implemented by September 2024.

Details

In our 2020 audit, we found that building landlords have expressed difficulties obtaining tenant energy-use

data to report. Ontario has over 370 utilities with inconsistent processes for providing data. We noted that requiring utilities to submit data directly to the Ministry would help simplify the process, reduce the burden on reporters, and ensure greater accuracy of the reported data.

In our follow-up, we found that the Energy Ministry introduced a new requirement under the *Electricity Act, 1998* in November 2021 for most regulated electricity and natural gas utilities to provide customers with access to their energy usage data in Green Button format no later than November 1, 2023. (Green Button applications can analyze energy-use data and provide customers with personalized ways to increase energy efficiencies.) In October 2021, the Energy Ministry learned that Natural Resources Canada and the US Environmental Protection Agency (EPA) had agreed in principle to explore software development options that would integrate a Green Button standard with the EPA's Portfolio Manager software, which is the platform the Energy Ministry uses for its private-sector reporting program. The Energy Ministry estimates that Green Button will be integrated into Portfolio Manager by spring/summer 2024.

Ministry Has No Plan to Ensure the Usefulness of Publicly Available Building Energy Data

Recommendation 18

To improve program effectiveness, support transparency and innovation, and allow stakeholders to incorporate energy efficiency information into their decision-making, we recommend that the Ministry of Energy, Northern Development and Mines develop an open data engagement plan to explore ways to make data on the energy use of private- and broader-public-sector buildings useful and promptly available to relevant stakeholders.

Status: Fully implemented.

Details

In our 2020 audit, we found that the Energy Ministry had not developed an open data engagement plan as recommended at the time by the Ontario Open Data

Directive. The goal of such plans is to promote open data and communicate the strategic value of the data to stakeholders and the public.

In our follow-up, we found that, in September 2021, the Energy Ministry developed an open data engagement plan for its private- and public-sector reporting programs. The Energy Ministry shared the plan with key stakeholders in October 2021. The plan outlines the importance of energy reporting programs and reviews the legislative framework for reporting in Ontario. It includes commitments to “support stakeholders through the energy reporting process, provide stakeholders with information about the benefits of the program and open data, and assess and prepare open data to be shared publicly.” The plan also commits to “publish and promote open data, and work directly with stakeholders to understand and consider their needs for data usefulness.”

Energy Ministry Does Not Confirm Compliance with Energy-Efficiency Standards

Recommendation 19

So that energy-efficiency standards achieve their intended energy, emission and cost savings, we recommend that the Ministry of Energy, Northern Development and Mines establish and implement processes to monitor and enforce compliance with its energy-efficiency standards.

Status: Will not be implemented. The Office of the Auditor General continues to support the implementation of this recommendation.

Details

In our 2020 audit, we found that the Energy Ministry does not ensure compliance with the energy performance standards it sets for many products that are sold or leased in Ontario. These include windows and other products, such as furnaces, that burn natural gas or oil in buildings. The Ministry requires regulated products sold or leased in Ontario to display a label or other marking indicating that a certification company has tested and confirmed the product's compliance with energy-efficiency standards. However, certification

companies have warned consumers that their certification labels have been used fraudulently on uncertified products. Our Office found two window manufacturers advertising with certification labels where the information on the labels did not match any windows in the certification organization's certified product directory. The Energy Ministry does not inspect the products for which it sets standards, nor are there any monitoring or enforcement provisions for non-compliance with the standards. This increases the risk of non-compliance and undermines the effectiveness of the standards at ensuring energy efficiency.

In our follow-up, we found that the Energy Ministry continues to engage with other regulators and industry stakeholders to ensure awareness of its energy-efficiency standards, but it has stated that it will not implement this recommendation on the grounds that it does not have the regulatory authority to engage in compliance activities. The energy-efficiency standards are set out in regulation under the *Electricity Act, 1998*,

which is administered by the Energy Ministry. This Act also gives Cabinet broad regulation-making powers with respect to these standards. So that its energy-efficiency standards achieve their intended objectives, our Office recommends that the Energy Ministry review regulatory options to improve monitoring and compliance with the standards, and take steps to have any necessary Ministry inspection and enforcement authority added under the Act. The Ministry informed us that it is not considering any changes or updates to the *Electricity Act, 1998* that would add or introduce inspection or enforcement provisions.