

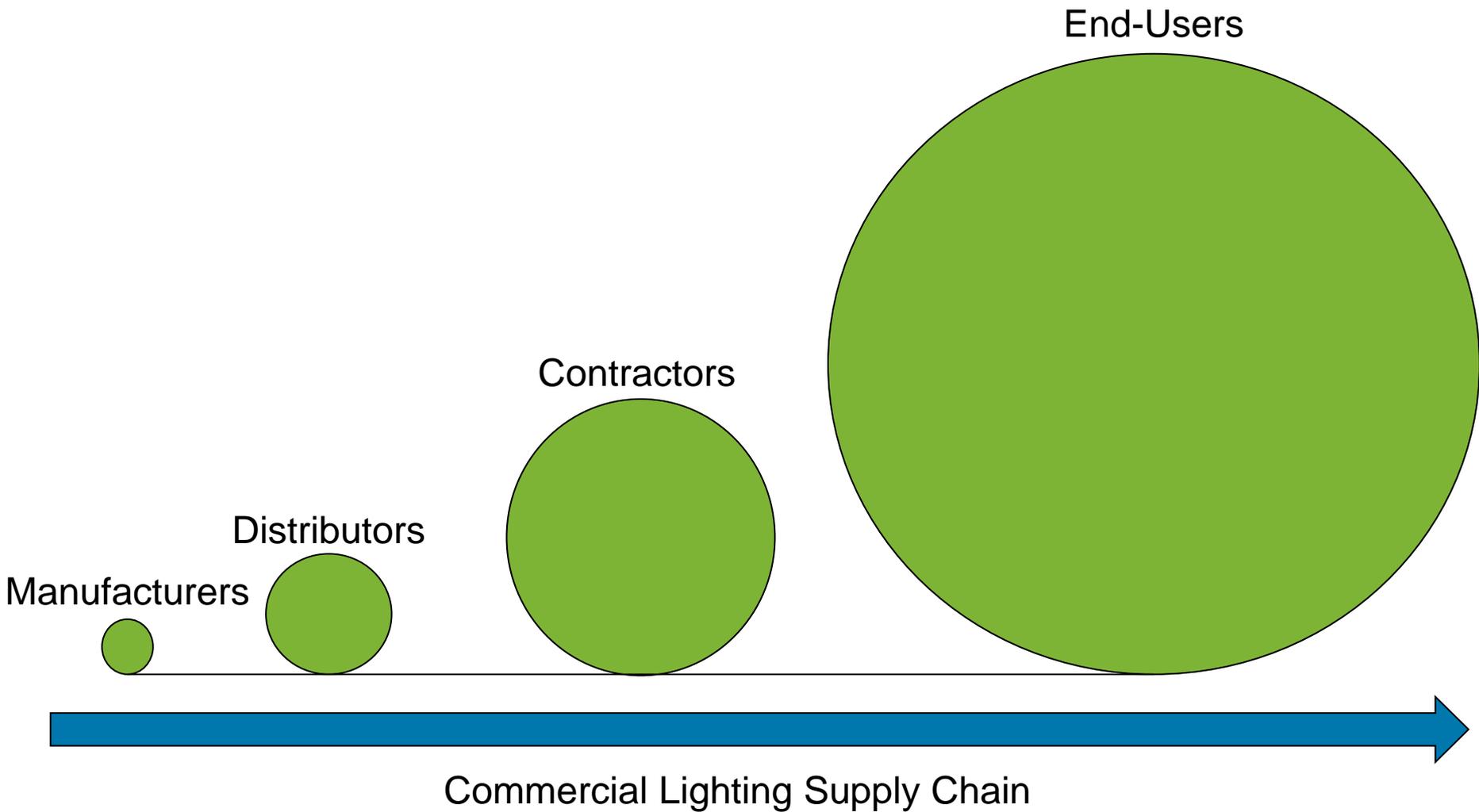


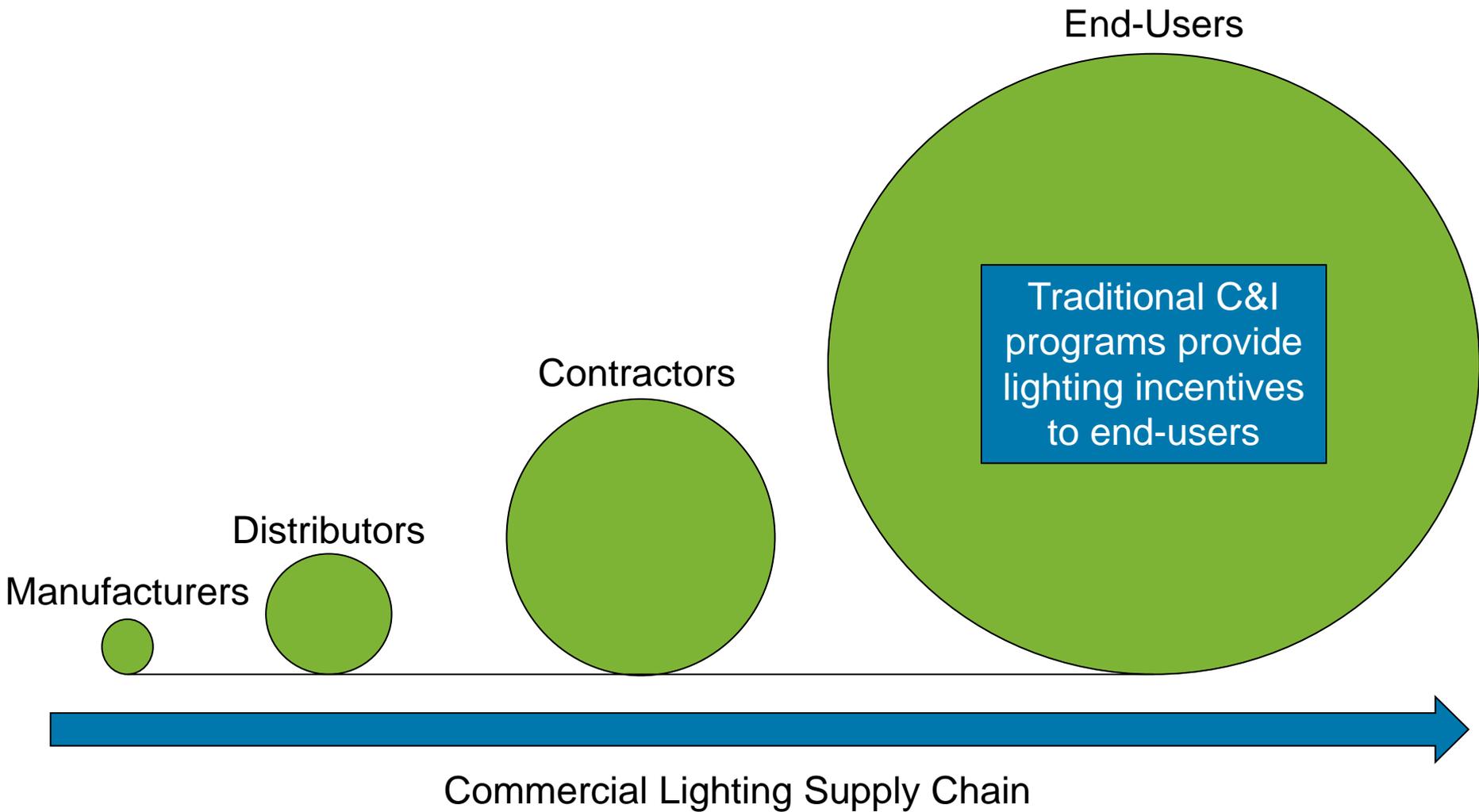
Upstream Approaches to Commercial and Industrial Lighting Programs...and Other Potential Markets

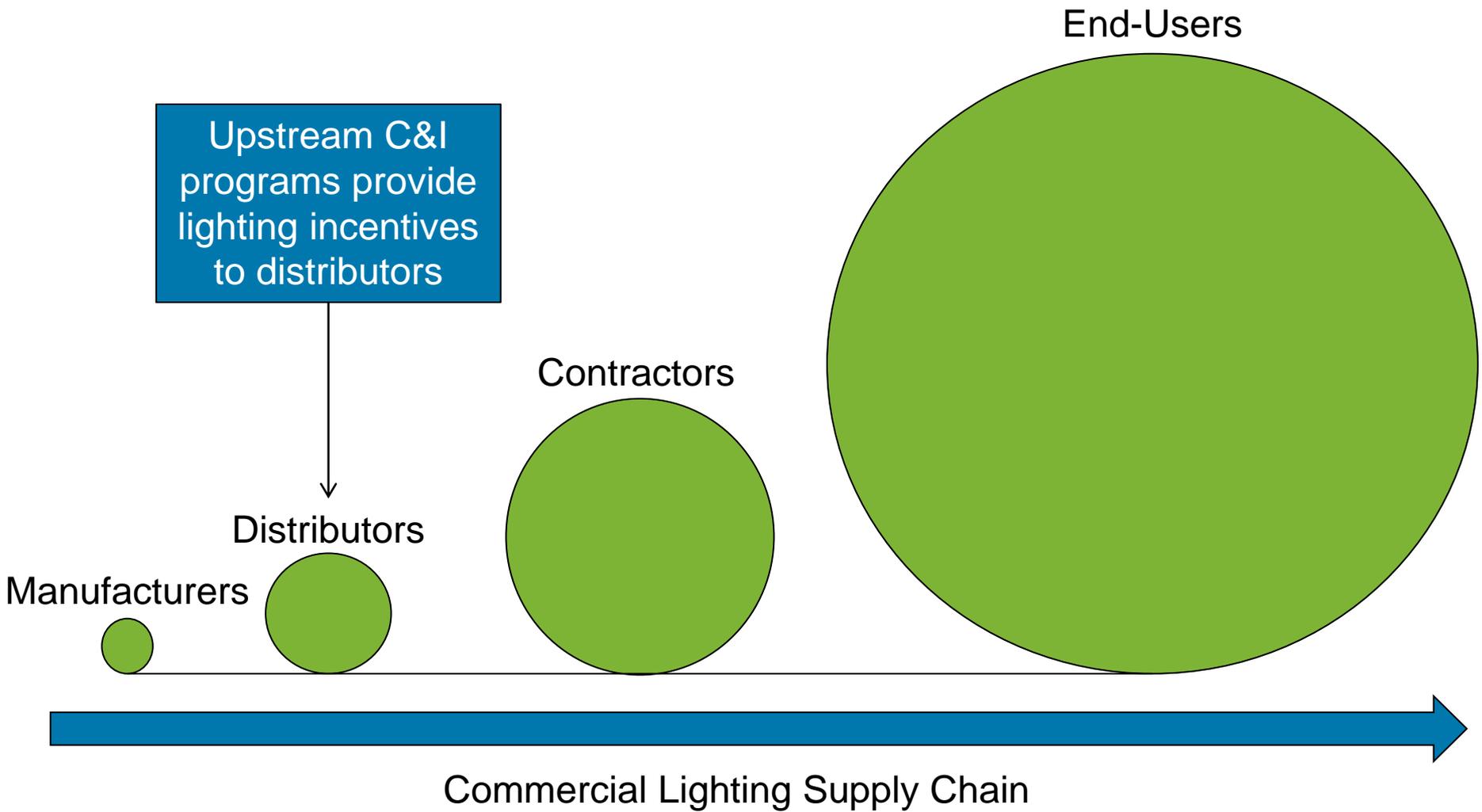


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On Behalf of the Illinois Attorney
General's Office

Illinois Stakeholder Advisory Group
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Why shift incentives Upstream?

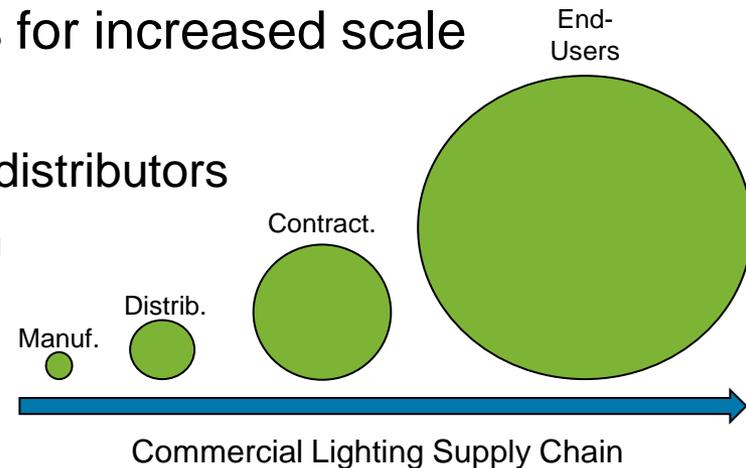
Manufacturer/Distributor Perspective:

- ▶ Allows manufacturers/distributors to more directly harness power of incentives to sell more EE products
 - Leverages upstream sales force--they are better at selling their product than program administrators
 - They are engaged with transaction at the “right time”
 - They bring along contractors
- ▶ Acknowledges that many sales are based on lowest first cost
 - Reduces or eliminates customers up-front cost barrier with lower utility incentives
 - Addresses wholesale incremental costs and may leverage State sales tax
- ▶ Reduces or eliminates risk of stocking and prioritizing selling of EE products
 - “If the efficient product is the same cost to my customers and carries the same or better performance, why would I stock or sell less efficient product?”
 - Quickly transforms markets and brings in laggard distributors

Why shift incentives Upstream?

EE Program Perspective:

- ▶ More effective method to engage the supply chain
- ▶ More participation and savings compared to downstream
- ▶ Leverage market to reach more customers
 - Particularly beneficial for market-driven products and purchases (no need to find customers at correct moment, they find the contractors and distributors, who do the selling for you)
- ▶ Streamlined and cost-efficient process for increased scale
 - Fewer touch points
 - Shift data collection responsibility to distributors
 - Electronic data upload and validation
 - Easier way to capture real-time market saturation data
 - Lower cost per unit savings



Considerations Compared to Traditional Downstream Programs

- ▶ Lose customer touch point
- ▶ Lack of site-specific data for each installation? (e.g. hours of use)
- ▶ EM&V challenges and opportunities
- ▶ Gaming of program rules
- ▶ Products sold, but not installed
- ▶ Products sold, but installed elsewhere
- ▶ Credit to EE program for providing incentive
- ▶ Confining sales to program or utility territory
- ▶ Paying incentive to distributor rather than ratepayer
- ▶ Overlap with continued downstream programs

Keys to Success

1. Robust distributor outreach program
 - Training
 - Account management
 - Regular communication
2. Engagement with lamp manufacturer representatives to **drive the program from above—including MOU**
3. Marketing (website, print collateral) to **drive participation from below—including cooperative advertising**
4. Well publicized qualifying **eligible products**
5. **Distributor agreement / MOU** to clearly outline program rules

Lessons Learned

1. Distributors are incredibly “creative.” If there is any possible way to game the system, they will find it.
 - Clear rules and guidelines within the agreement/MOU help
2. Program must be flexible enough to quickly change rebate levels.
 - Product pricing, especially with LEDs, can change fast
3. Consider restricting distributor participation in-state distributors and border communities.
 - Can be difficult to manage out-of-state and on-line distributors.
4. Crediting savings to specific customers is difficult.
 - Batch processing provides significant admin cost savings
 - Difficult to capture customer-specific operating hours
 - Drop ship and contractor provided customer names and addresses generally sufficient

Upstream C&I Lighting Program Examples

- ▶ Efficiency New Brunswick (2007 – 2010)
 - www.energycnb.ca/commercial/commercial-lighting.html
- ▶ California and Nevada (2007 – Present)
 - www.cainstantrebates.com
- ▶ ComEd (2011 – Present)
 - www.comed.com/business-savings/programs-incentives/Pages/lighting-distributors.aspx
- ▶ Efficiency Vermont (2009 – Present)
 - www.energivermont.com/smartlight
- ▶ Massachusetts and Rhode Island (2011 – Present)
 - www.masssave.com/professionals/incentives/upstream-lighting

New England Experience

Timeline (MA/RI)

- ▶ Sep 2011 – Upstream Lighting (RWT8, T5HO) launched in MA
- ▶ Nov 2011 – LEDs added
- ▶ Feb 2012 – Launched in RI (GRID)
- ▶ Jun 2012 – Added new LED products

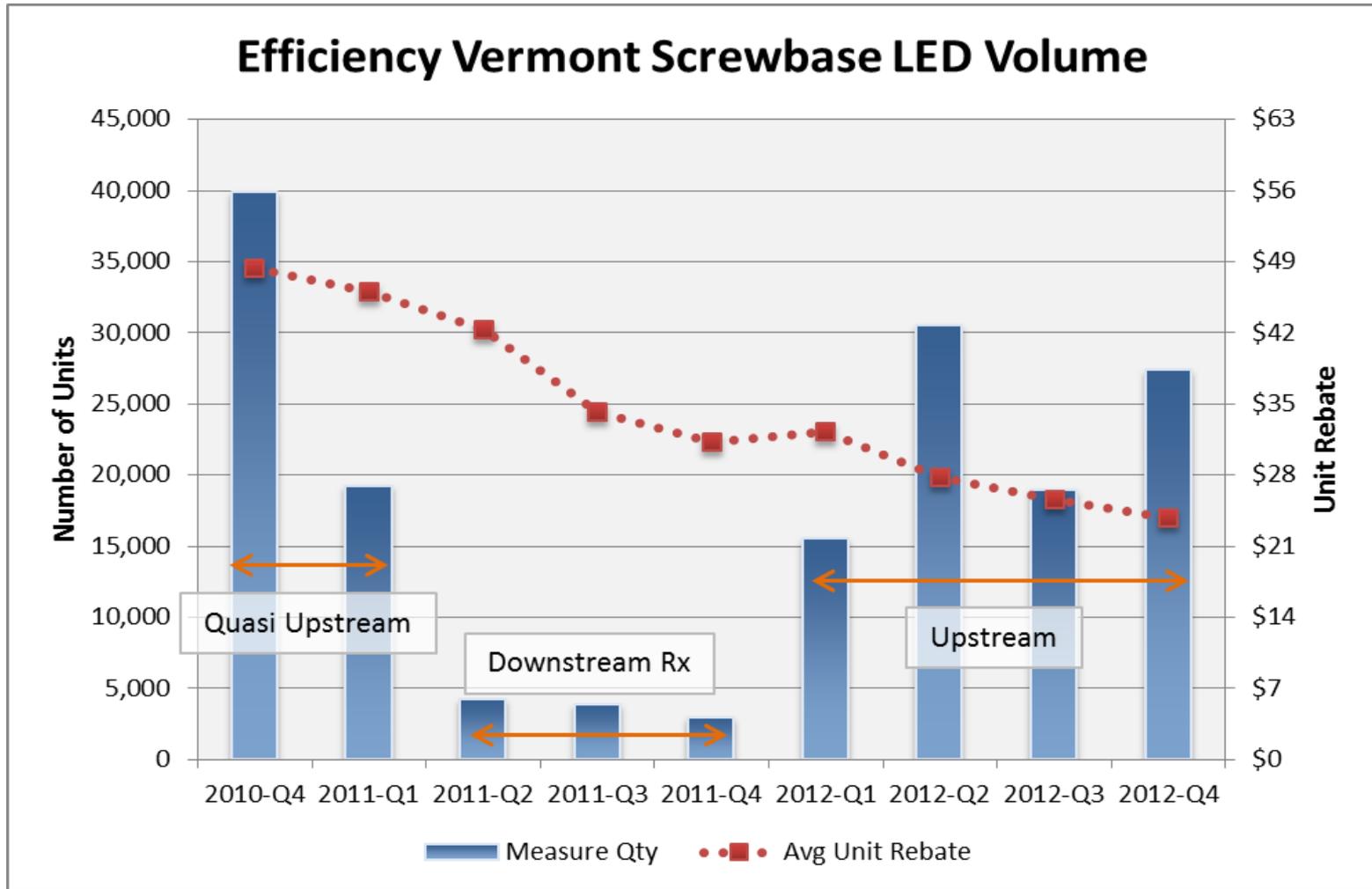
Statistics (MA/RI)

- ▶ 16 Manufacturers including GE, Philips, Sylvania, Toshiba
- ▶ 50+ Distributors
- ▶ 2012 results: > 2,000,000 lamps, > \$15 Mil Incentives provided
- ▶ 2012 savings: > 100,000 MWh, > 0.2% of load, @ 21¢/kwh

Results (MA/VT)

- ▶ After just one quarter of program delivery Massachusetts sales of LEDs accounted for 30% of *total national sales of LEDs* (source: Sylvania)
- ▶ After one year, LEDs accounted for 30% of Efficiency Vermont C&I lighting savings, grew to 45% in second year

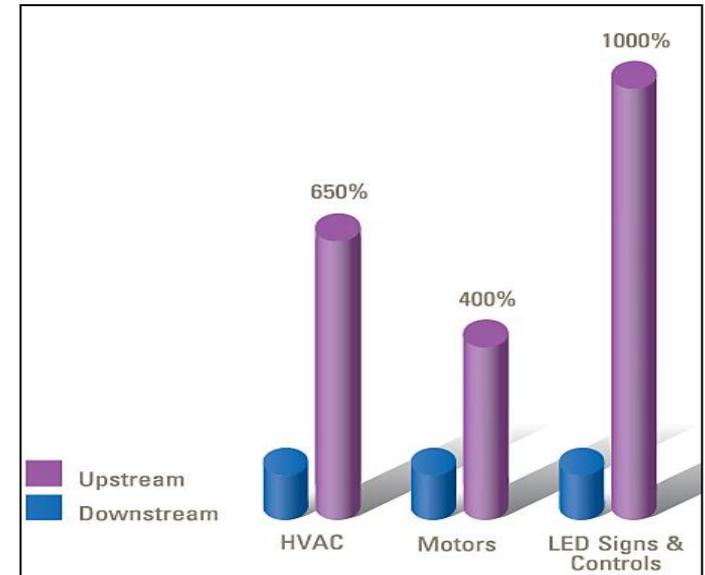
Vermont Success with LEDs



Upstream Approach also works with other Technologies

- ▶ California and Nevada Upstream Program also includes:
 - HVAC
 - Motors
 - Water Heaters
 - Commercial Food Service Equip.
- ▶ Massachusetts and Rhode Island Upstream expanding to:
 - HVAC (Q2 2013)
 - Refrigeration (future)
 - Commercial Food Service Equip. (future)

Results from California



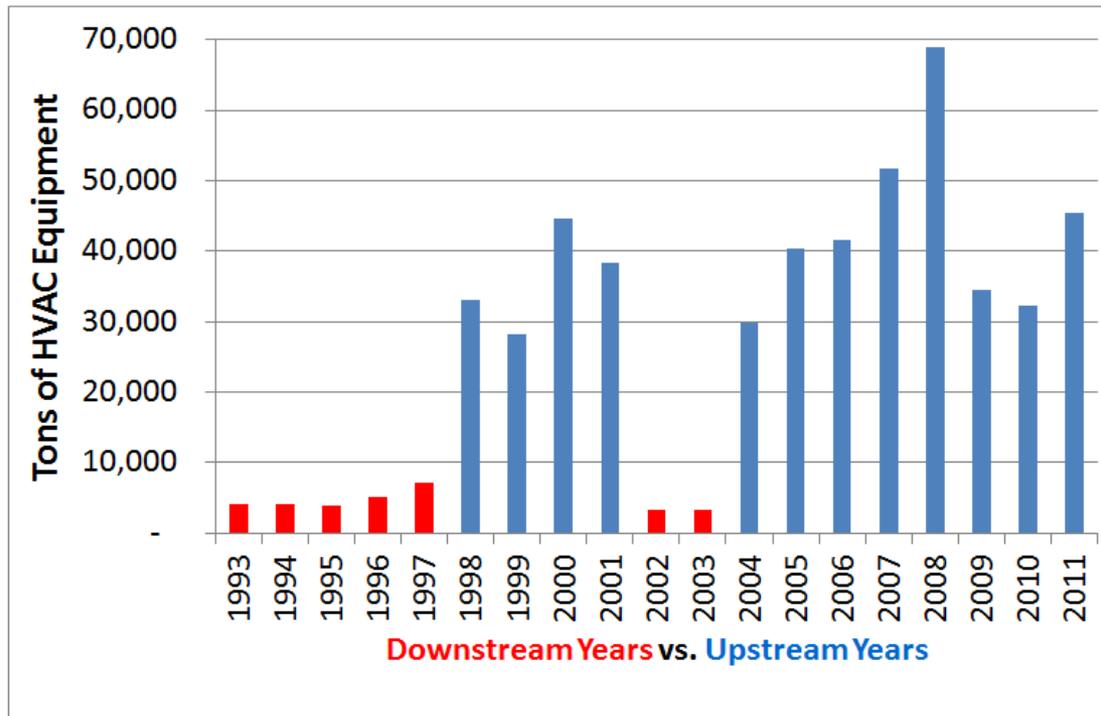
Average Annual Energy Efficiency Program Performance
Downstream vs. Upstream

Source: Daniel Cornejo, Energy Solutions

Focus on widget-based products purchased at time of natural replacement/new construction

Compelling Upstream HVAC Results from California

- ▶ 1993-1997, and 2002/3: Downstream program approach
- ▶ 1998-2001, and 2004-2011: Upstream program approach





Integrated Energy Resources

Thank you

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