

# MARKET EFFECTS OF COMMERCIAL UPSTREAM PROGRAMS

Flexibility Leads to Creativity

Presented at the 2017 ACEEE  
National Conference on Energy Efficiency as a Resource  
November 1, 2017 | Hector Lefbad, Energy Solutions



# Agenda

01

MARKET-BASED  
PROGRAM  
DESIGN

02

CUSTOMER  
BENEFITS

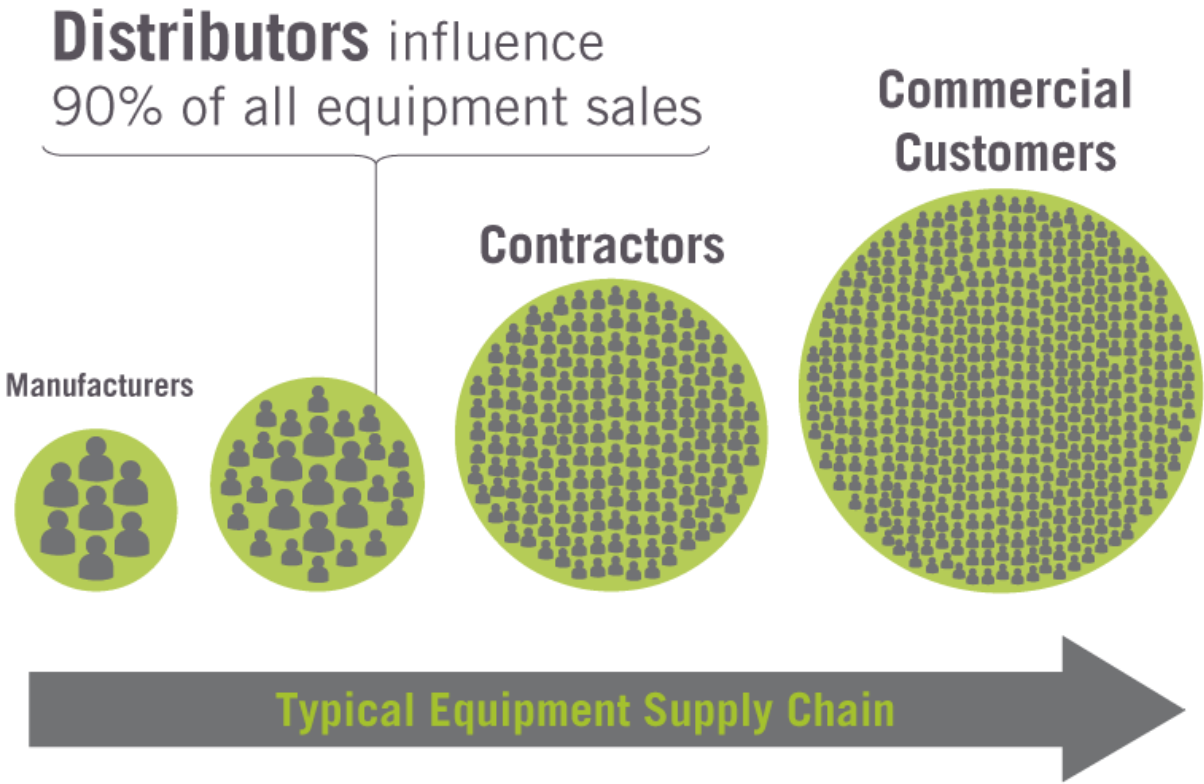
03

SUPPLY CHAIN  
IMPACTS

04

UTILITY  
ACCOMPLISHMENTS

# DISTRIBUTORS: THE IDEAL PROGRAM PARTNERS



## IN STOCK = SOLD

**90%**

of transactions are influenced by distributors

**81%**

of buyers purchase what distributors recommended<sup>††</sup>

**4%**

of buyers consider other efficiency tiers<sup>††</sup>

**70%**

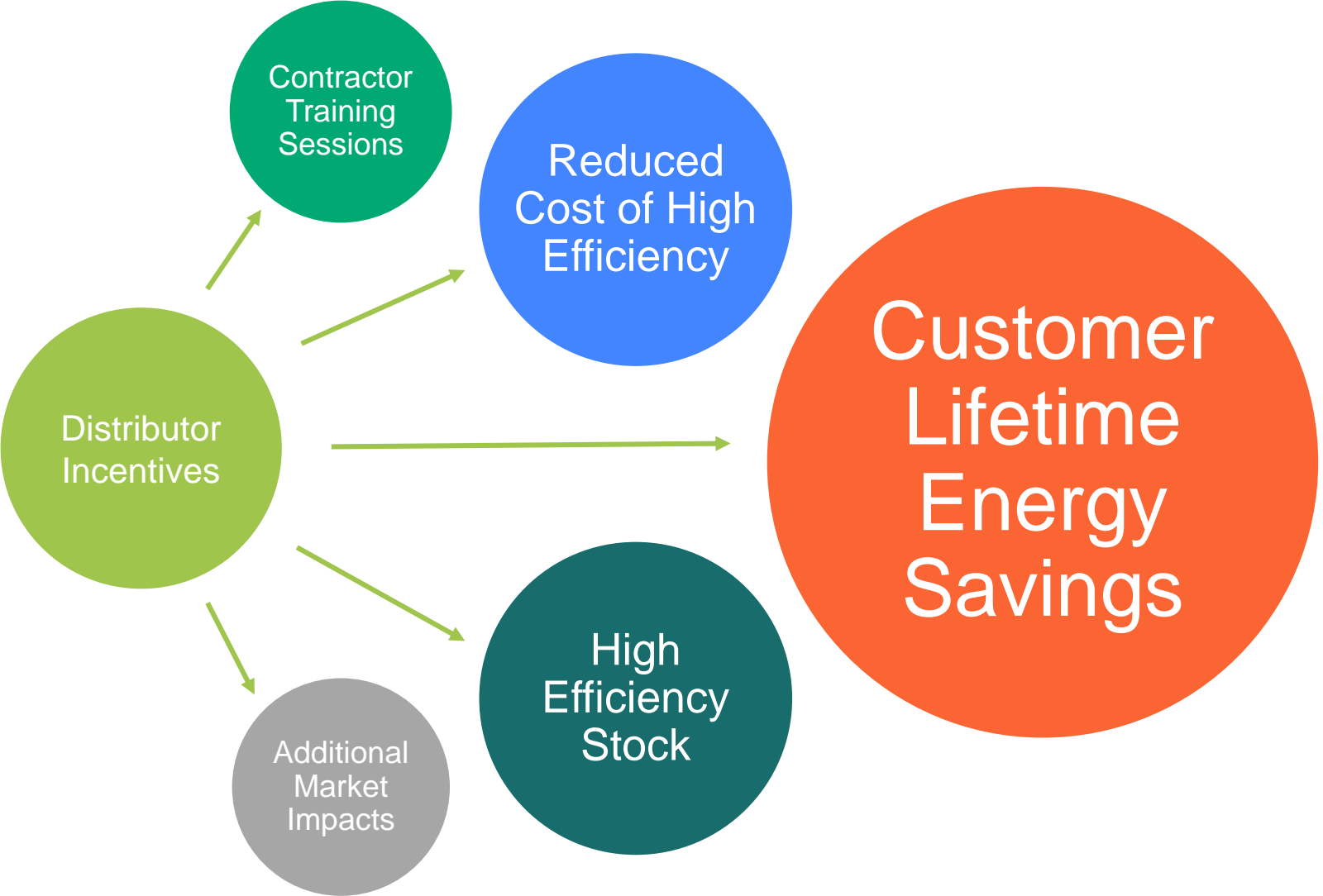
of some markets are “replace on burnout”



<sup>†</sup>Example for C&I HVAC Supply Chain  
<sup>††</sup>Source: California PUC NTG Study, September 2016

# RETURN ON INVESTMENT OF DISTRIBUTOR INCENTIVES

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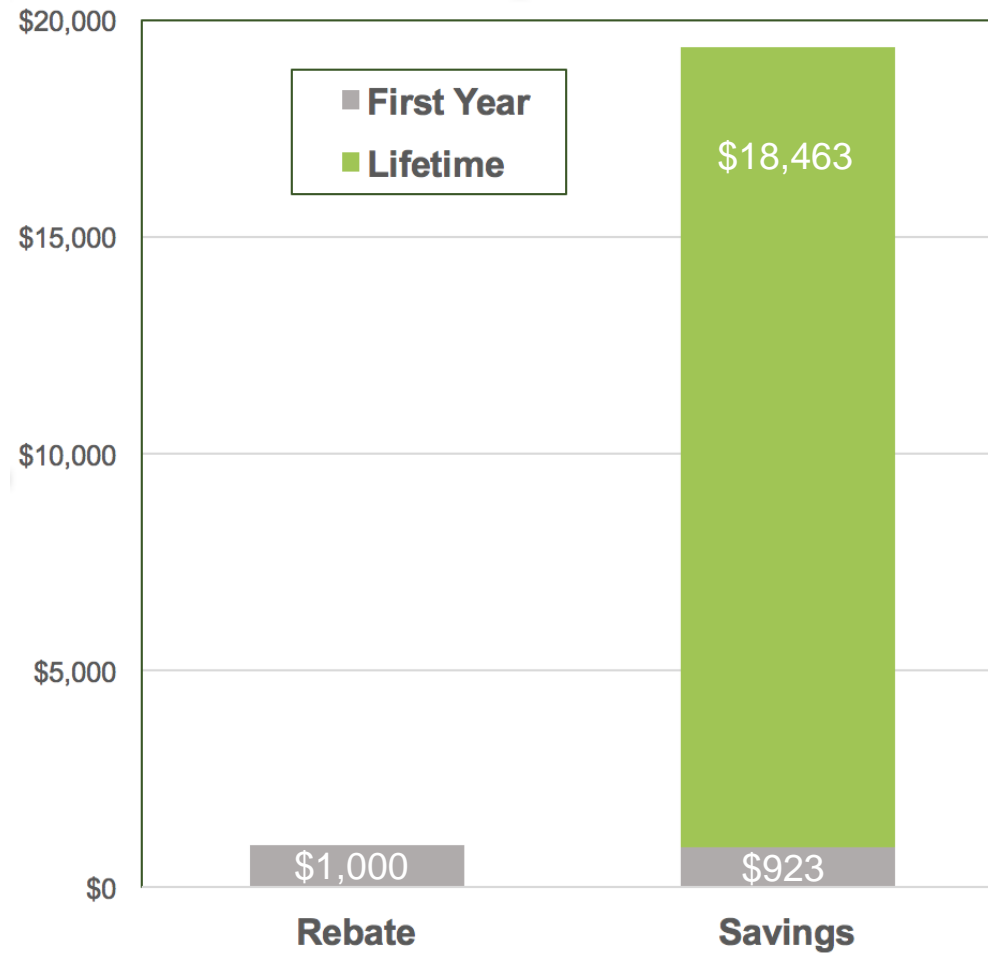
CUSTOMER  
BENEFITS

# LIFETIME VALUE OF EFFICIENCY TO CUSTOMERS

What do ratepayers get beyond the incentive?



**REGULATOR**



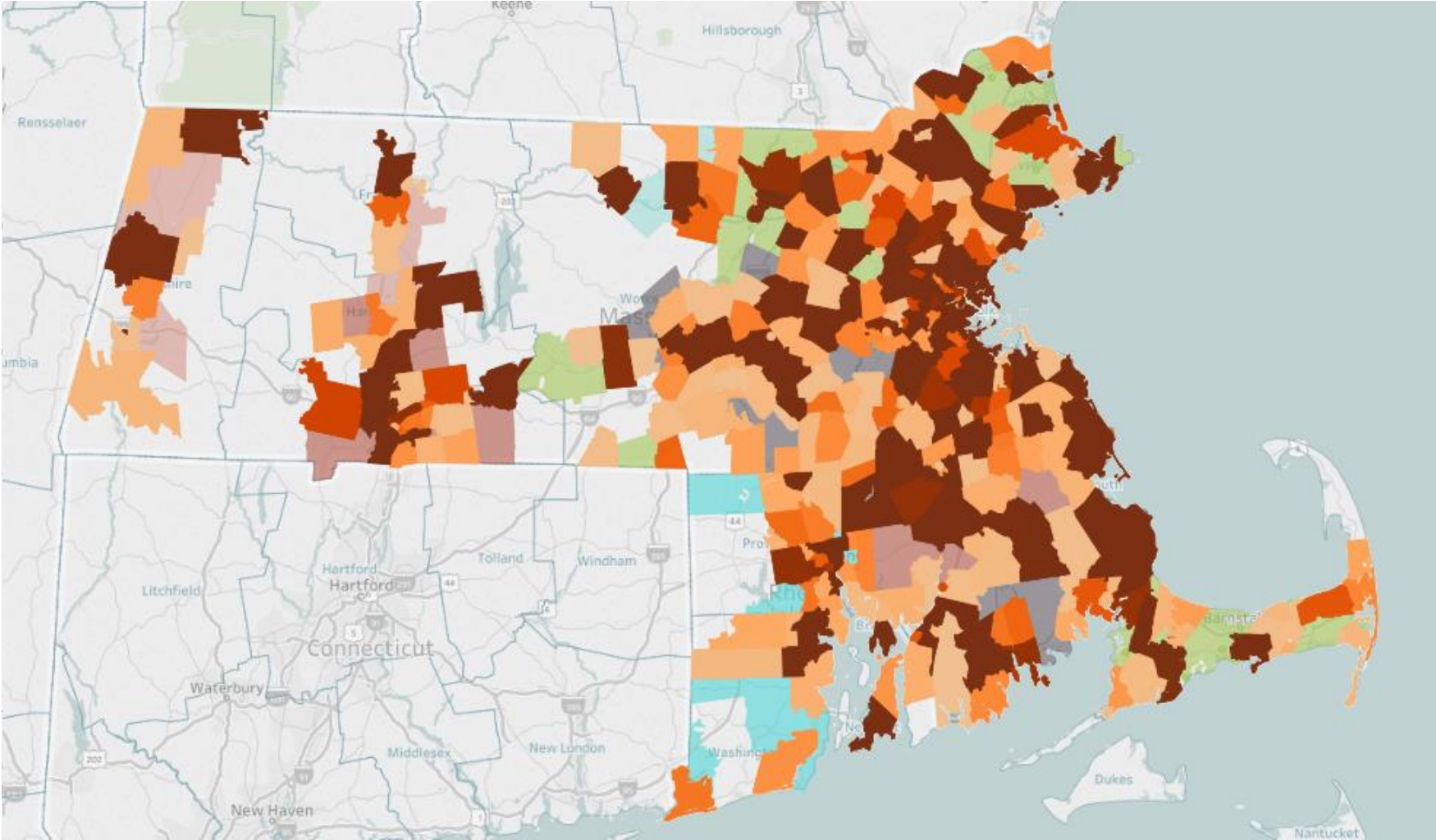
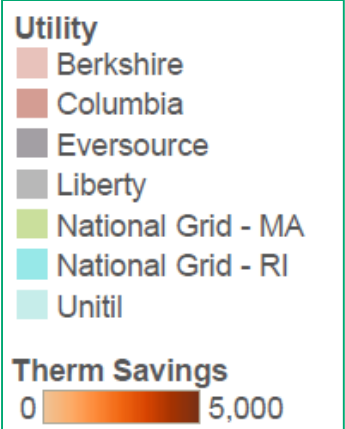
Lifecycle savings is 15-20x the rebate

LIFECYCLE SAVINGS FROM 5 TON, 3 PHASE, COMMERCIAL AC

Footnote 1: Base SEER 9, 30% efficiency loss, new SEER 17, 1,100 op hours, \$0.089/kwh, average life 20 years.  
Footnote 2: Used California's Upstream HVAC rebate at \$150 ton.



# PARTICIPATION ACROSS AN ENTIRE TERRITORY



# INCREASED STOCKING, REDUCED PRICES

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*“This incentive has helped bring larger AO Smith units into stock.”*



*“We can bring down the price due to the incentive.”*



*“We incorporated the [incentive] into this proposal and we have 290pcs of qualifying equipment shipping to use from State Industries TODAY.”*





# UPSTREAM REBATES LEAD TO CUSTOMER SAVINGS

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## Distributor Incentives Reduce Supply Chain Mark-ups

SCENARIO	DISTRIBUTOR PRICE	CONTRACTOR PRICE	CUSTOMER SAVINGS
No Upstream Discount			
Upstream Discount			



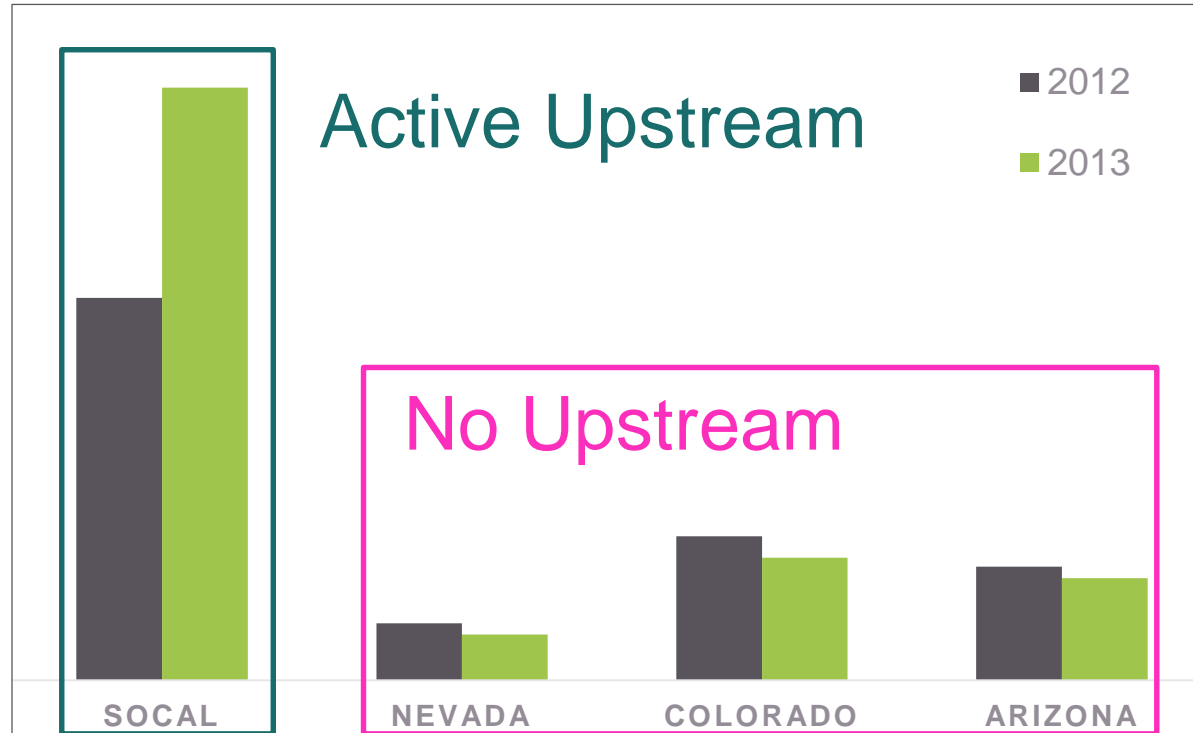
††Example Commercial Water Heating



# SUPPLY CHAIN IMPACTS

# INCREASED HIGH EFFICIENCY SALES

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This manufacturer attributed a 50% increase in high-efficiency sales due to the Upstream program



# EMERGING EFFICIENT TECHNOLOGY

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## Increased Education in the Market

One distributor in Northern California  
invested \$500k in center to train  
contractors how to install VRF

## Market Penetration

The availability of Variable Refrigerant  
Flow (VRF) increased dramatically after  
upstream became available



# MARKET AWARENESS & EDUCATION

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## Incentivize Staff to Upsell

*We offer 25% of the incentive to sales to promote more high efficiency sales.*

*“With the incentives Met Pipe has in place, the smart salesmen are looking for new avenues to sell HE water heaters.”*

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## Educate Sales Staff and Contractors

*“Our focus has been on employee education and awareness. . . simply lowering the price by using the incentive money will not close the sale. . . they need to understand the long term benefits of efficiency.”*

*“We also plan in 2016 to do some customer programs to promote the high efficiency products.”*



## One Distributor's Story



**Kevin Cunningham**  
Vice President, The Granite Group

“Increased inventory of qualifying equipment in excess of 50%”

“We have implemented Sales Incentives”

“We continue to make pricing concessions”

“We have done in house sales training and contractor training on the benefits of high efficiency equipment”

“We are planning to do ‘Lunch and Learn’ training for specifying engineers and architects”

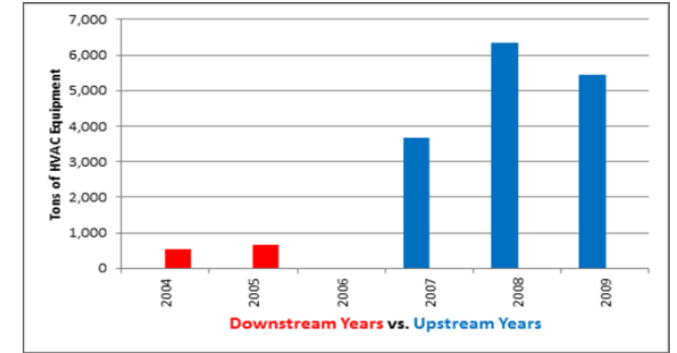
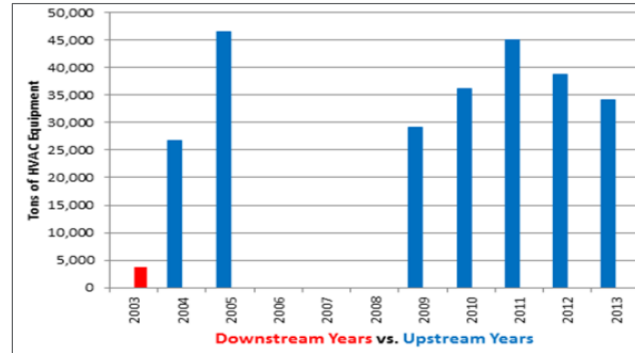
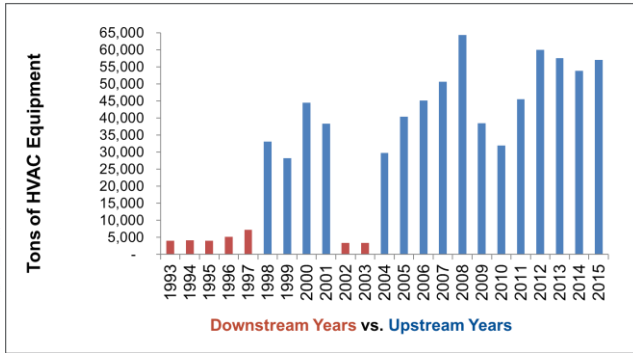




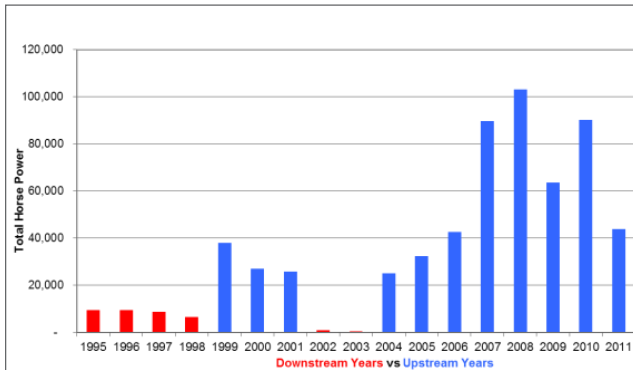
UTILITY  
ACCOMPLISHMENTS

# 1000% GREATER RESULTS

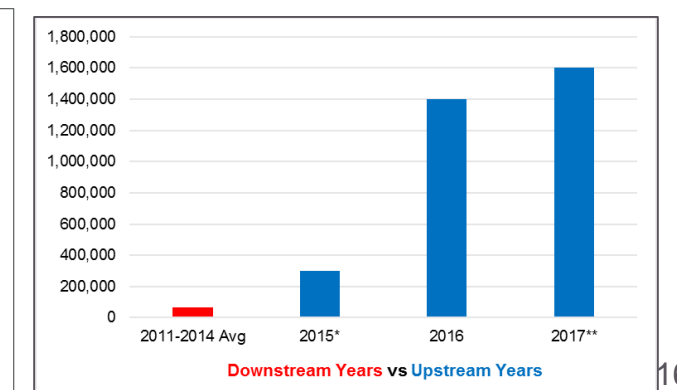
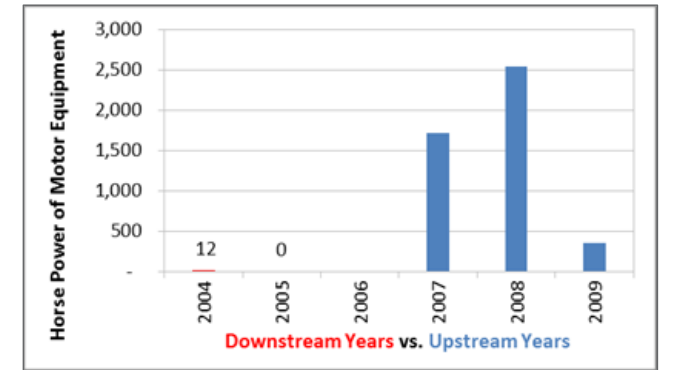
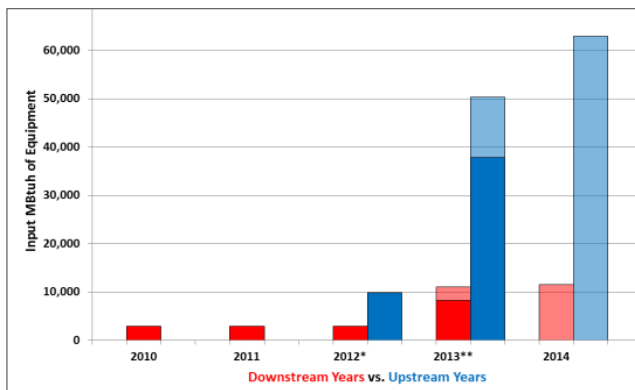
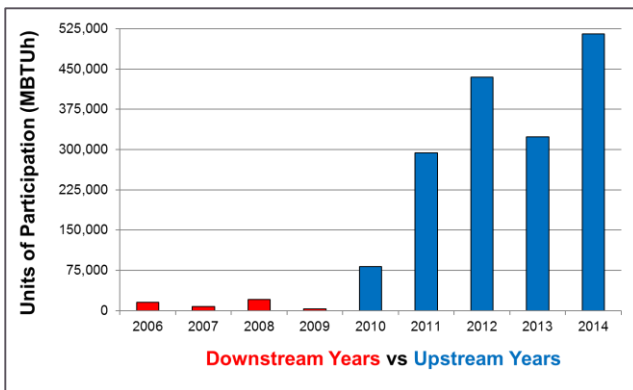
## HVAC



## Motors



## Water



## Heating



# UTILITY UPSTREAM AWARDS

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2010 ACEEE  
Exemplary Program  
(PG&E)



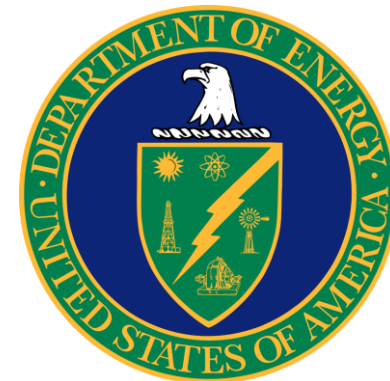
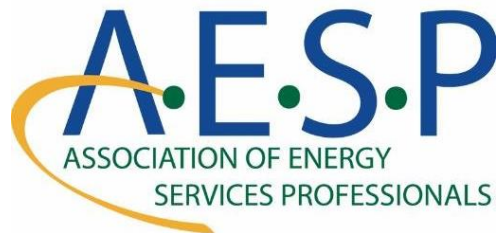
2012 ACEEE Exemplary  
**Market Transformation**  
Program (PG&E)



2013 AESP's Energy Award  
for Outstanding  
Achievement in Non-  
Residential Program  
Design & Implementation



2015 and 2016 DOE award  
for highest number of high-  
efficiency RTU installations  
(SCE and Xcel)



# CA PUC'S FINDINGS OF COMMERCIAL UPSTREAM

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1. If a distributor is not stocking high-efficiency, they cannot sell high-efficiency
2. Upselling requires training, time, and money
3. Incentives are key to influencing high-efficiency sales
4. Participants appreciate program simplicity
5. **Freedom to use incentives is paramount to Upstream success**



# FLEXIBILITY LEADS TO CREATIVITY



**CUSTOMERS ARE  
ULTIMATE  
BENEFICIARIES**



**WORKFORCE  
EDUCATION AND  
TRAINING**



**HIGH ROI FROM  
DISTRIBUTOR  
INCENTIVES**



**1000% PARTICIPATION  
MEANS 1000% SAVINGS  
AND IMPACTS**

# Thank You

**HECTOR J. LEFBAD**

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## ABOUT ENERGY SOLUTIONS



### **Experienced**

20 years of upstream program design & implementation



### **Results-Oriented**

Market-based, cost-effective energy, carbon, water management solutions



### **Mission-Driven**

Founded in 1995, we work to create large-scale environmental impacts



### **Geographically Diverse**

Offices in CA, OR, MA, WA and growing. Upstream programs in 18 states

# A SPECIAL THANK YOU

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Thank you to the Massachusetts and Rhode Island Program Administrators for sharing the results of their initiative

