



Creating a More Energy Efficient Future for Residential Customers

The ENERGY STAR® Retail Products Platform



January 22, 2015

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The Need for Change

- Traditional residential programs are shrinking as per unit savings and rebates decline.
- Remaining mail-in rebate programs promote high price products with large incremental costs – rebates primarily accessible to higher income households.
- To be in compliance with mandated energy savings goals, utilities will need a different approach to consumer programs.

August 2014: **over 200** CEE Tier 3 models
Average annual kWh savings 177



October 2014: **only 4** CEE Tier 3 models
Average annual kWh savings 73
+\$500 customer premium

Cost effective savings for the majority of residential customers is difficult

What is the ENERGY STAR Retail Products Platform (RPP)?

- A coordinated approach to align energy efficiency programs with retailers' business models.
- A national effort to achieve scale through consistent program design—including product categories, specifications, data requirements, and midstream delivery—to reduce costs for program sponsors and retailers, and to increase energy savings benefits for consumers.
- Significant budgets through aggregation of lower unit incentives and low administrative costs create a strong value proposition for retailers.
- Program model offers options for addressing energy savings opportunities in growing “miscellaneous/plug load” product categories.

2004:



- 30% energy savings economical.
- Mail-in rebates up to \$200 available.

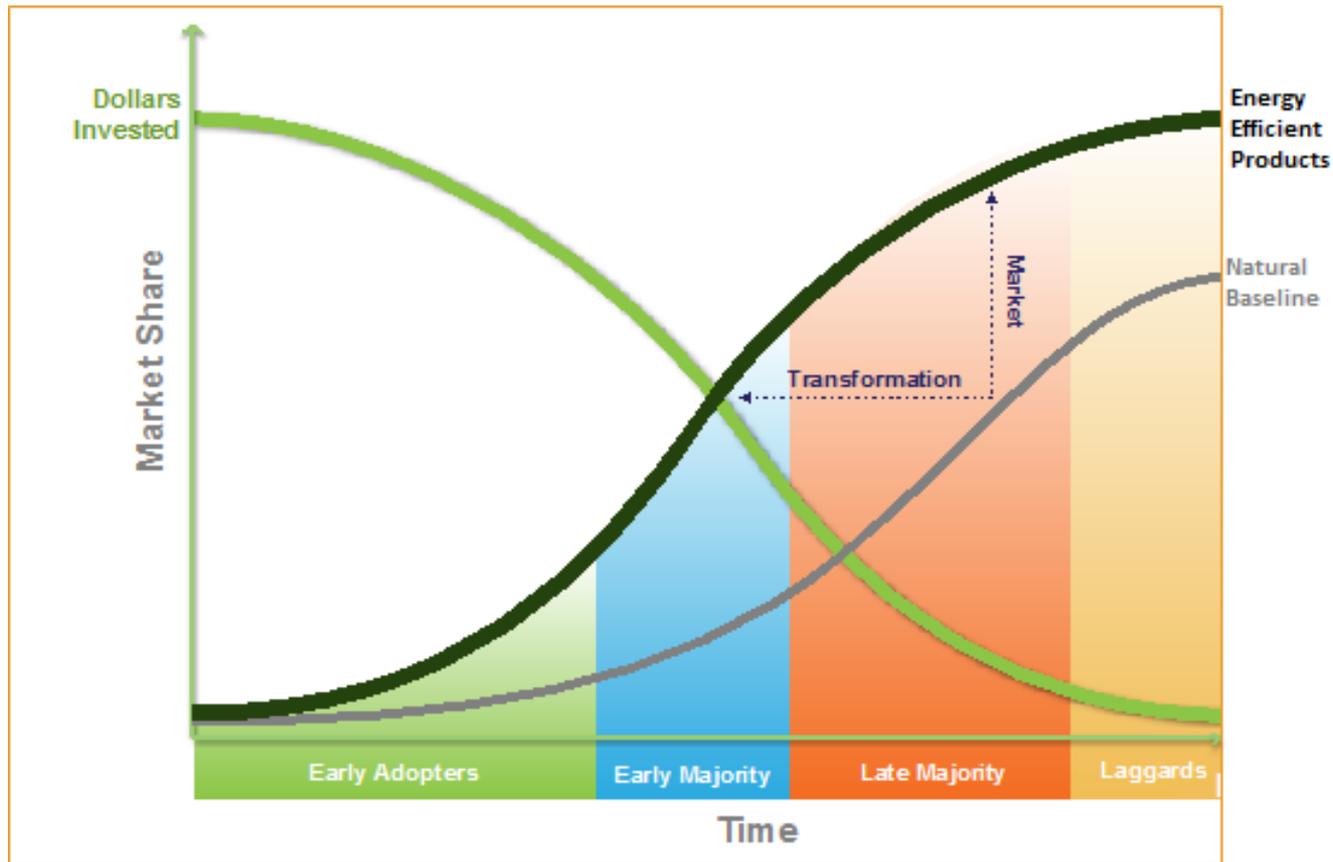
2014:



- 10% energy savings economical.
- Mail-in rebates up to \$50 available.

Program Theory

Leverage *Market Transformation* techniques to increase sales of energy efficient products



ENERGY STAR RPP incentives drive retailers to change stocking, promotion, and pricing practices causing the market adoption curve to shift...



Why is this Critical Now?

- Retailers are the most important channel for delivering energy efficient products to residential consumers, selling almost 2 billion energy consuming products that use 80 million MWh per year.
- Today, retailers are growing less interested in participating in traditional energy efficiency programs because:
 - Low mail-in rebate values are not effective for driving sales
 - They introduce cost and complexity
 - They do not align with the retailers' goals to improve brand positioning, reduce clutter, and cut costs.

A Message from the ENERGY STAR Retail Action Council

(Scottsdale, AZ October 28, 2014)



sears

- ✓ We support EPA's efforts to build scale and be more effective and efficient with the ENERGY STAR Retail Products Platform.
- ✓ We believe this is the future of energy efficiency programs, and the future is now!
- ✓ We are offering to help regulators recognize the energy saving opportunities.
- ✓ We are excited and wish to assist innovative Program Sponsors who join together with the EPA transform the energy efficiency market.





ENERGY STAR RPP Process



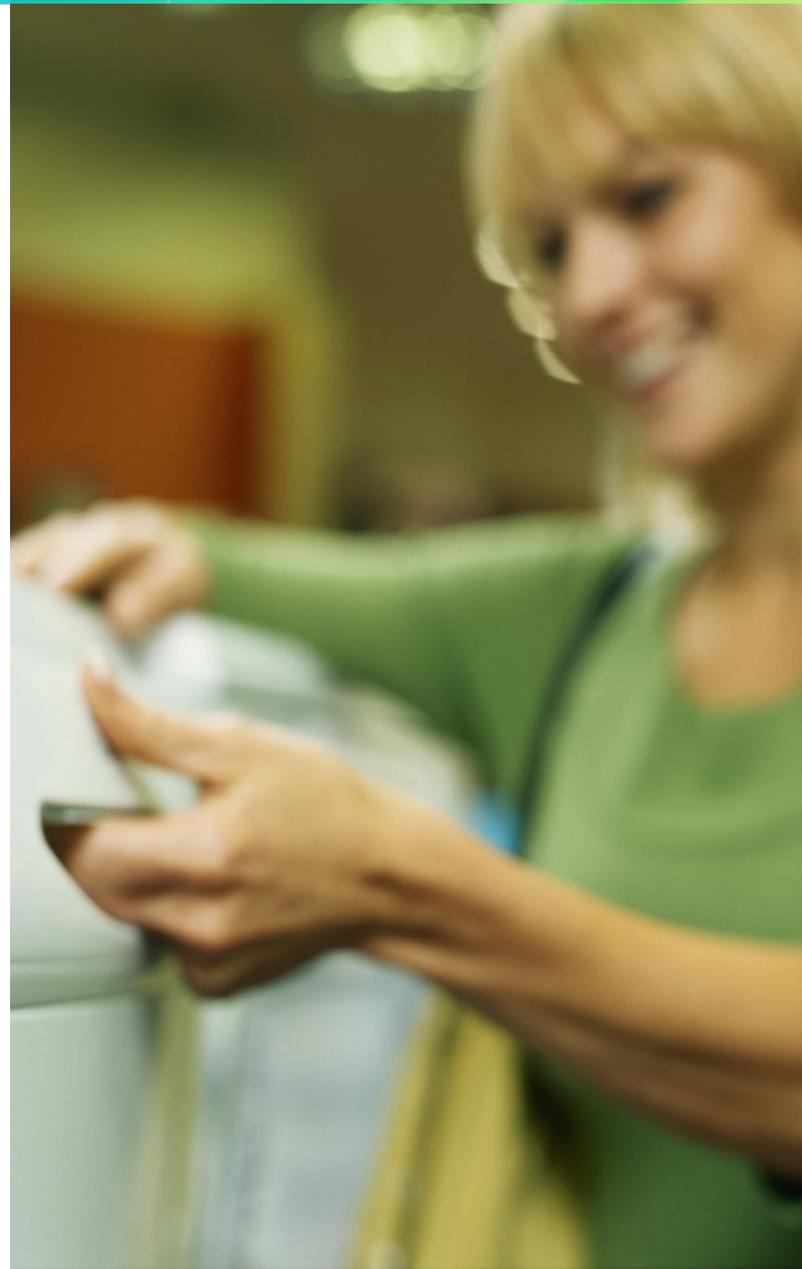
2015 Products

The pilot was designed to:

- Test a mix of different products
- Prove the program concept, and
- Streamline implementation.

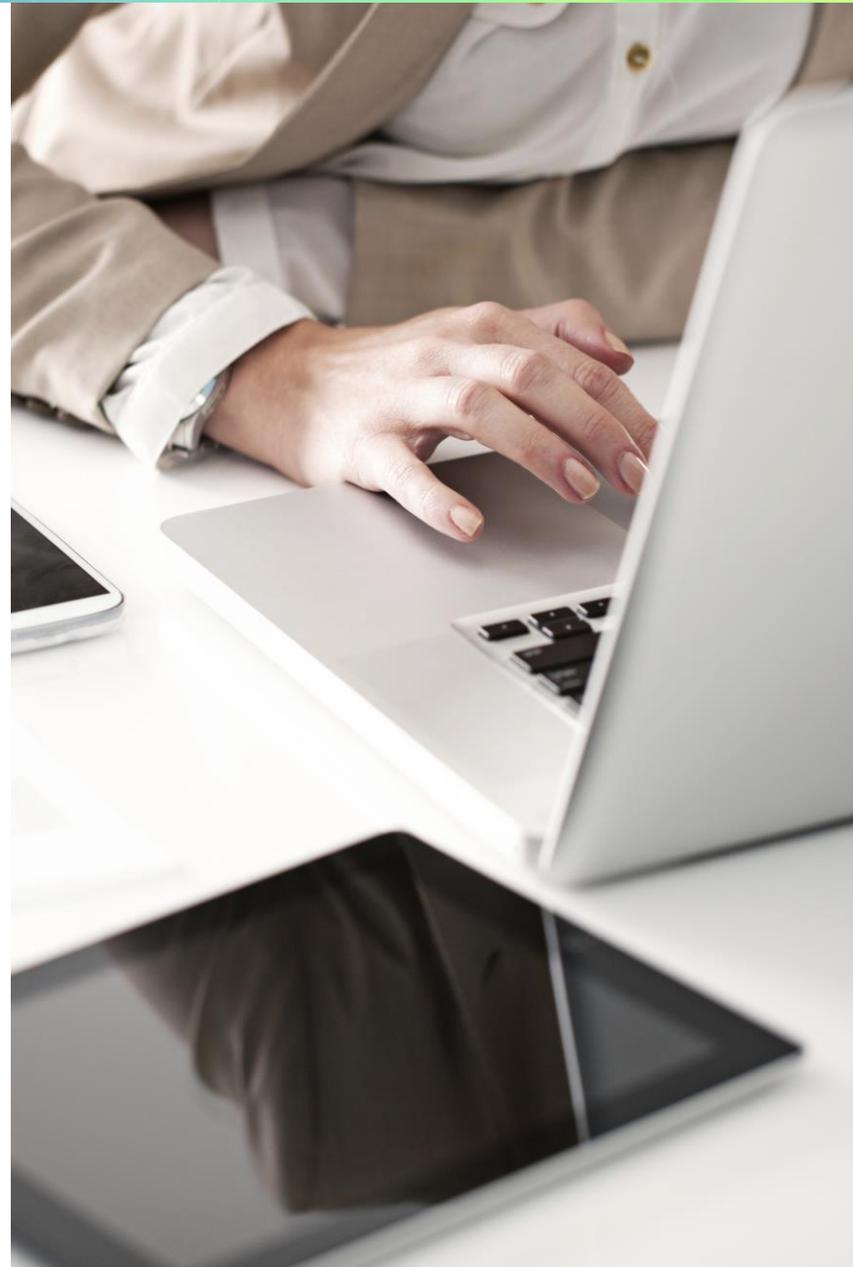
The pilot is currently limited to the following products:

- **ENERGY STAR certified dryers**— new category
- **ENERGY STAR certified air cleaners**— small unit sales, high per unit energy savings
- **ENERGY STAR certified freezers**— difficult to administer cost effective downstream rebates
- **ENERGY STAR certified sound bars (+50%)**— high growth category, limited per unit savings
- **ENERGY STAR certified home theater systems**—high growth category, limited per unit savings
- **(for 2016) ENERGY STAR certified room air conditioners**—revised specification, positioned to influence stocking plans for 2016



Data (under review)

- Develop a consistent category sales data feed from retailers using a retailer approved data services firm. Energy efficiency program sponsors will be able to capture full program impact. Data categories include:
 - Model number
 - Date
 - Transaction identifier
 - Zip code / Store ID
- RFP for national data provider





Program Evaluation (under review)

ENERGY STAR RPP Requires a Different Program Evaluation Approach

- Traditional evaluation methods are not structured to measure this type of program because they do not detect short term market shifts in time for administrators to adjust program interventions; they tend to be costly and slow, introducing a barrier to this retail market-based approach.
- Currently under development and discussion among stakeholders and evaluation experts in CA, NEEA region and NEEP.
- Will vary by region, based on regulatory requirements, but will have common characteristics.
- General agreement that evaluation methods need to have the following characteristics:
 - Be considerably faster than current methods
 - Be considerably less costly than current methods
 - Be based on indicators of shifts in the marketplace, using several data sources
 - Be sufficiently precise, but not as precise as traditional programs
 - Be based on a national data template provided by retailers, including regional data
 - Be a continuous ongoing and fluid process, rather than a traditional stop and start process
 - Be pre-agreed upon by all parties with a series of ongoing indicators and measurements, rather than a traditional after the fact effort
 - Pre-program cost effectiveness testing done to calculate benefits and costs also has to be adjusted to account for program innovations (including market transformation effects)



Who is Involved

2015 Pilot Sponsors

- BGE – MD
- DC SEU – DC
- Efficiency Vermont – VT
- PEPCO – MD
- PG&E – CA (*on behalf of all CA IOUs*)
- SMUD – CA

2015 Participating Retailers

- Best Buy
- Sears Holdings
- The Home Depot

2015 Other Key Stakeholders

- NRDC
- NEEP
- NEEA

Interested for 2015/2016

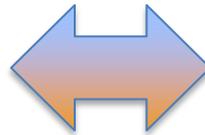
- CA IOUs (SCE, SDGE, SoCalGas)
- Cape Light Compact – MA
- CL&P / Yankee Gas – CT
- ComEd – IL
- Costco (Retail)
- FirstEnergy Utilities – PA, MD, NJ
- DTE Energy – MI
- LADWP – CA
- Nationwide Marketing Group (Retail)
- National Grid – MA & RI
- NJCEP – NJ
- Nstar – MA
- Oklahoma Gas Service – OK
- PECO – PA
- PSEG LI – NY
- Target (Retail)
- Texas Gas Service – TX
- UIL Holdings – CT
- Walmart (Retail)
- Xcel – CO or MN

Who is Involved

Infrastructure

National Planning, Facilitation, Monitoring & Support

US EPA
(Navitas Supporting)



Local/Regional Planning & Execution

Pilot Sponsors
(Implementation Contractors Supporting)

Task Force Leads

EM&V/Regulatory

Julie Colvin – PG&E
Sara Van de Grift –
Illume Advising
The Cadmus Group

Data Requirements

Jon Clark – NEEA

Product Specifications

Peter Banwell – EPA
Michael Russom – VEIC

Legal Agreements

Tim Michel – PG&E

Marketing

Linda Malek – SCE
Stacy Blumberg – NEEA

Outreach

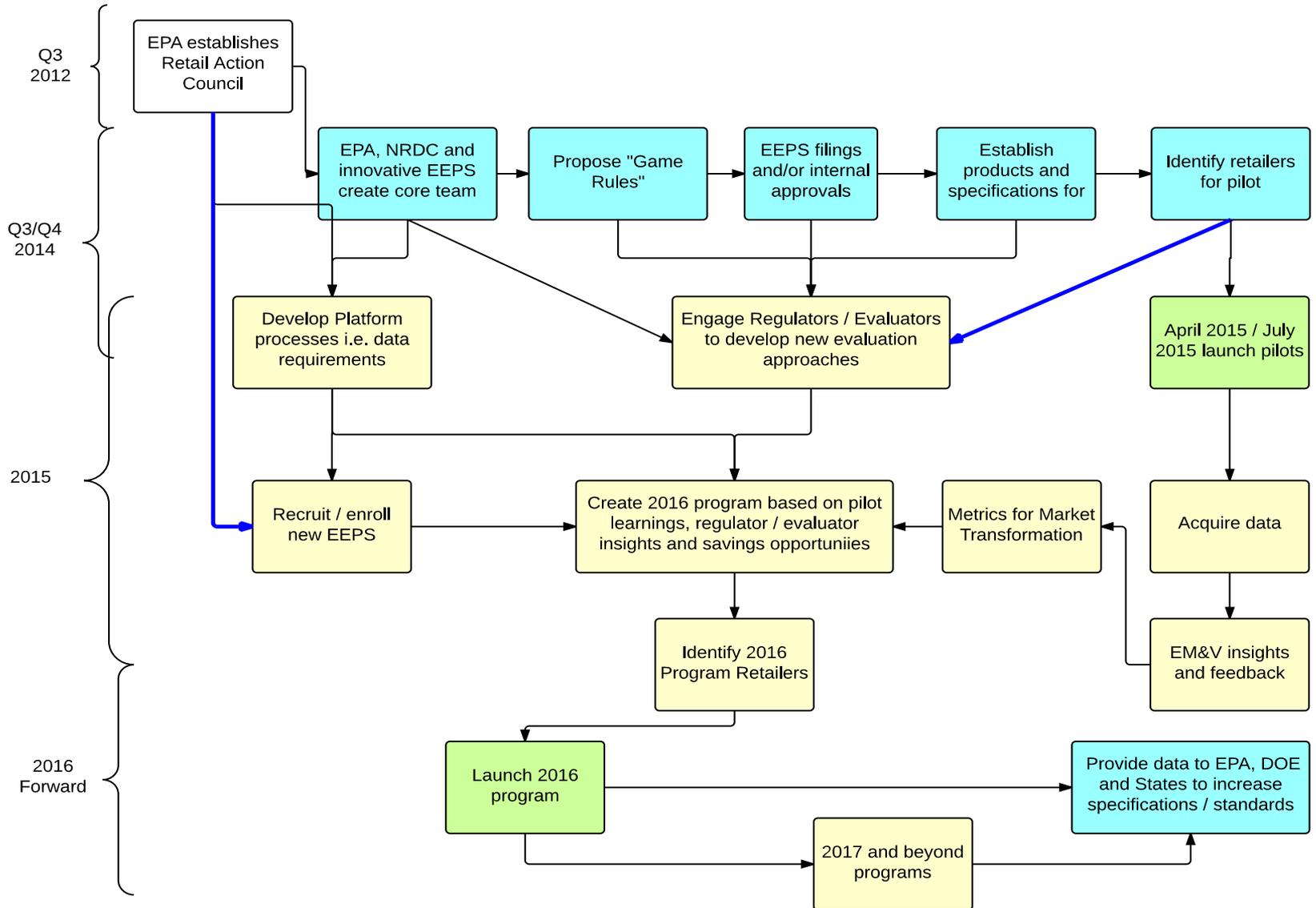
Tim Michel – PG&E
Julie Colvin – PG&E
Jon Clark – NEEA

Field Services

Lara Bonn – Eff. VT
Julie Colvin – PG&E



Transformation Roadmap: Current Planning





Project Update

What's Being Worked On?

- ✓ **EM&V:** Development of guidelines and resource for 2015 pilot sponsors
- ✓ **Data:** Short-term data collection solution for 2015 pilot programs; RFP for 2016 national programs solution
- ✓ **Products:** Products for pilot programs confirmed; begin development of framework for product specification transitions
- ✓ **Legal:** Draft agreement between utilities and retailers for national program
- ✓ **Marketing:** Developing strategy, look, and feel, based on current retailer guidelines
- ✓ **Outreach:** Discussions at industry events (e.g. CES, NEEP's EM&V Forum, NARUC Winter Meetings)
- ✓ **Field Services:** Drafting overview document and creating tool kit for sponsors
- ✓ **Pilot Programs:** In development, preparing for mid- to late 2015 launch

What's Next?

- ❑ Pilot sponsors sign participation form by end of February 2015
- ❑ Offer a voluntary short-term data solution to pilot sponsors
- ❑ Distribute RFP for long-term data solution in Q1 2015 (PGE & NEEA on behalf of all future participants)
- ❑ Create framework for product specification transitions
- ❑ Continue developing national marketing strategy.
- ❑ Develop legal agreements
- ❑ Continue discussions at industry events
- ❑ Connect with ENERGY STAR Retail Action Council members to discuss field services/implementation overview document
- ❑ Launch pilot programs in late 2015!



Getting Started & Contacts

Getting Started

- Contact EPA to discuss program concept and potential role
- Join the current team and develop a pilot
- Help shape discussions with regulators and evaluators
- Prepare to field a pilot in early 2015
- Prepare for full program launch in 2016

Contacts

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