

WATER HEATING NEWSLETTER



Winter 2021

Greetings

Dear ENERGY STAR partners and industry colleagues,

ENERGY STAR has a number of exciting updates to share regarding new and ongoing activities that are supporting the transition to high efficiency in the water heating space.

Thank you for your participation and engagement in our efforts to increase awareness around the benefits of ENERGY STAR certified water heaters.

Sincerely,

[Nathaniel Jutras](#)

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\$300 Tax Credit for ENERGY STAR Certified Water Heating Equipment Extended into 2021

Congress passed the Consolidated Appropriations Act of 2021 at the end of 2020, which among other things, extends the \$300 federal tax credit that is applicable to the installation of ENERGY STAR certified residential water heating equipment (e.g. 25C tax credit) within primary residences through December 31, 2021. This is a great incentive for efficiency programs, retailers and distributors to leverage through their marketing initiatives.

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ENERGY STAR Specification Updates Reflect Higher Savings for Heat Pump Water Heaters

On February 4, the EPA released the final draft of [Version 4.0 for residential water heaters](#), which among other things will raise efficiency requirements for electric heat pump water heaters. The following elements will be important for all current sponsors of a heat pump water heater incentives and they are likely to (positively!) affect your savings assumptions (and program cost-effectiveness) as well as ability to cross-leverage this technology in demand response applications.

1) ENERGY STAR is updating the specification to align with the current market, which will allow ENERGY STAR partners to claim higher savings with a limited drop off of models from the ENERGY STAR QPL (it is expected that 87-93% of current models will remain on the QPL).

2) The revised specification also adds optional connected criteria including:

- Consumer amenities.
- Demand response messaging requirements, operational mode requests, and responses.
- Reliance on open standards (CTA-2045 or OpenADR) with specific responses for specific protocol messages.
- Product [testing](#) to demonstrate the ability to shift a minimum amount of load over 4 hours under laboratory conditions.

The [Residential Water Heaters Specification Version 4.0](#) development page provides the latest resources and comments.

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ESMAC is Here: Action Council Helps Utilities Design Effective Heat Pump Water Heater Programs

The ENERGY STAR Heat Pump Water Heater Manufacturers Action Council (ESMAC) launched in September 2020 to provide a simple and effective method of collecting feedback from industry OEMs that will increase customer demand and accelerate market transformation. ENERGY STAR is excited to share this feedback in a "playbook" format with program partners. This process is already increasing collaboration across the industry. Initial areas of focus include installer outreach and training, supply chain engagement, program design and implementation, product and sales training, and effective marketing strategies/tactics. The ESMAC includes representatives from A.O. Smith, Rheem, Bradford-White, GE Appliances, Eco2 Systems, and ENERGY STAR.

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Coming Soon: The Heat Pump Water Heater Playbook from ENERGY STAR

The objective is simple: Provide ENERGY STAR partners with best practices from around the country that demonstrate a collaborative approach to effective heat pump water heater program design and implementation. What can be learned from successful water heater programs? How can partnerships with industry improve program performance? What do the latest technologies and market trends mean for program design? Answers to these questions are being compiled into one easy resource—the ENERGY STAR® HPWH Playbook. The playbook is a tool for partners to grow existing programs and a guide for designing new programs. The playbook is being developed in collaboration with the ENERGY STAR Water Heater Manufacturer Action Council (ESMAC) and other industry partners. Contact ENERGY STAR now to get an early version of the playbook.

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Installer Spotlight: Veteran-Owned Small Business, Vets Corp, Becomes Heat Pump Water Heater Hero

Vets Corp owner, KC Sanchez, says strong heat pump water heater programs show utilities are serious about supporting customers.

Owner, KC Sanchez, says he doesn't sell to customers—he builds relationships with them. He considers customers part of his extended family. "I know I'm only as strong as the weakest link on my team—and I treat my customers like they're part of my team—so I want to do right by them."

KC, a veteran who served in active duty, founded Vets Corp in Maryland nine years ago. About two years ago, he started promoting and installing ENERGY STAR certified heat pump water heaters. Today, the company installs these hybrid electric water heaters at nearly every job.

ENERGY STAR spoke with Vets Corp in December to learn more. "Every install is a challenge to find the most cost-effective solution for the customer," KC said. "If I'm not offering heat pump water heaters as an option, I would be doing a major disservice to my customers."

KC said the rebate programs help make the efficient water heaters more affordable. But he says there is another—equally important—value that rebate programs provide. The backing from utility programs helps build trust.



I'm happy that programs are getting involved with heat pump water heaters. It shows that utilities are looking out for customers' interests. It's all about building trust, and utilities have a part in that.

To meet the growing demand, Vets Corp has hired more installers. "I don't advertise in any traditional sense. Nearly all my business is word of mouth." He attributes this success to customers who are sharing their positive experiences with friends and neighbors. "I explain Return on Investment—ROI—to all my customers. My customers know that they will be spending less money on this product than with any of the alternatives."

In fact, that Vets Corp is finding so much success in its business model, it plans on opening a branch office in Massachusetts. KC believes that states and utilities will continue investing in heat pump water heater programs because the opportunities are huge and the market is ready for a change.

Vets Corp participates in various utility-sponsored energy efficiency program and ENERGY STAR Partner Programs in Maryland and coming soon to Massachusetts.

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Partner Highlight: Southern California Edison Shows That Partnership Pays Off

Collaboration with manufacturers helps SCE design a heat pump water heater program that is effective and inclusive.

SCE is working with manufacturers to provide a \$1,000 discount on qualifying ENERGY STAR certified Heat Pump Water Heaters. Participating manufacturers will be reimbursed



from SCE energy efficiency funds to provide discounts on qualifying equipment to qualified distributors, installation contractors and resellers, who in turn pass on the savings to SCE customers. Before the program launched, SCE worked closely with the manufacturers and distributors to ensure a successful launch of the program.

Collaborative Training: Last fall, once the program launched, SCE held several webinar trainings to help educate contractors and installers about SCE's program and Heat Pump Water Heaters. As part of this outreach and Heat Pump Water Heater installer training, SCE invited certain large manufacturer representatives and EPA's ENERGY STAR Program Nate Jutras to discuss the benefits of Heat Pump Water Heaters and answer questions from installers and contractors.

Collaborative Program Design: SCE program managers used a collaborative design approach by inviting manufacturers to provide feedback and have input on the program design. SCE's experience shows that this kind of collaboration is key to developing a program that delivers results.

SCE invited manufacturers early on to discuss their program goals and brainstorm the best program design elements to achieve them. There was a consensus among manufacturers that instant rebates were the way to go. These incentives had to apply at wholesale or risk leaving out a large segment of the market. These meetings helped SCE program managers develop data collection methods that ensured effective program administration while minimizing barriers to participation. Feedback from manufacturers about their preferred incentive models resulted in an innovative upstream program and this model of collaboration has shown promising results. The program has enrolled Rheem and Bradford White to offer discounts on qualified equipment.

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Watch ENERGY STAR Heat Pump Water Heater Promotional Video



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