Electronics Program
Options for Implementation

ENERGY STAR® Partner Meeting

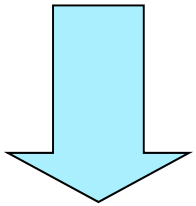
October 2010

Overview

- Considerations for developing a new electronics program
- Midstream marketing
- Implementation techniques
- Strengths and challenges
- Xcel Energy program
- Tips for a successful program

Status of the Industry

- **Increasing regulatory requirements and energy savings goals**
- **Declining energy savings for CFLs**
- **Growing demand related to plug load**



Electronics program presents opportunity to address increasing issues for utilities and program sponsors

Techniques to Increase Market Share

- Rebates or incentives
  - Upstream - Manufacturer, distributor
  - Midstream - Retailer
  - Downstream - Customer
- Research and development projects
  - Demonstrations, research
- Education, awareness
  - ENERGY STAR

Midstream Marketing

- **Nature of the electronics market points to a "midstream or upstream" strategy**
  - **Small energy savings per unit allows for small rebates**
  - **Small rebates in relation to price of the unit are ineffective**

More effective to impact what is being sold than what is being bought

Midstream Characteristics

- **Motivate retailer to:**
  - **Increase inventory of units that meet or exceed ENERGY STAR**
  - **Train sales employees**
  - **Improve merchandising**
  - **Market ENERGY STAR**

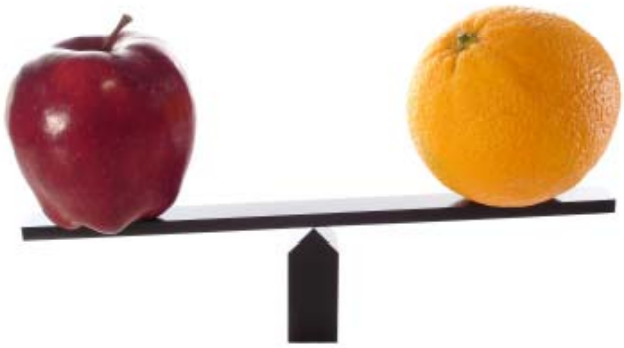
Midstream Characteristics

- **Rebates typically not passed on to the customer**
- **If rebate is not passed to customer, the rebate cost needs to be treated as cost in the Total Resource Cost test for the cost benefit analysis***
- **Need substantial savings to balance the costs and benefits, and make a cost effective program**

*California Standard Practices Manual

Program Design Options

- **Consider two options of program design:**
  1. **“Lift” concept to shift market share to ENERGY STAR units**
  2. **Traditional midstream rebates**



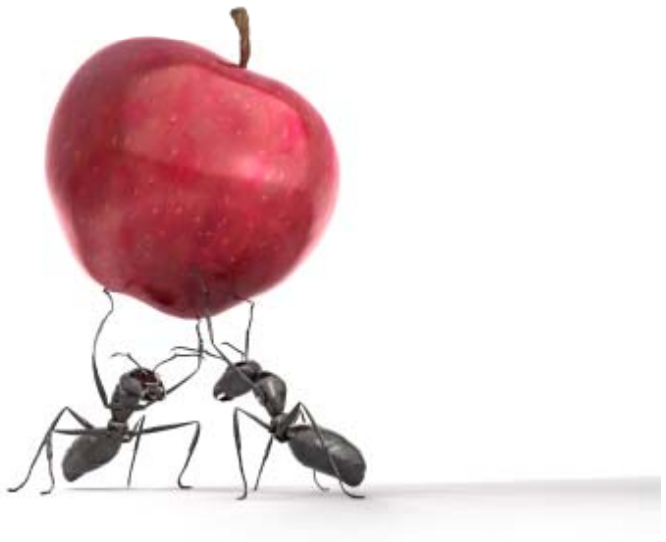
“Lift” Concept

Maximum net energy savings from a product incentive program

- Obtain historic sales data
- Establish “baseline” sales figure
- Monitor movement of market share
- Provide financial incentive for sales above baseline

Strengths of “Lift” Concept

- Reduces costs, not paying for free riders
- Higher involvement/commitment by all parties
- Involves decisions about “attribution” at beginning of process
- May relegate EM&V to an “audit” function



Challenges of “Lift” Concept

- **Recruiting retailers:**
  - **Requires retailers to accept some risk**
  - **Requires retailers to agree to baseline and provide pre- and post-data**
- **Long development lead time**
- **Rapidly changing technologies**

Traditional Midstream Rebates

- Provide rebates per unit sold to retailer
- Determine sales goals
- Design the rebate criteria
- Establish agreement with retailers
- Monitor sales
- Pay rebates on qualifying units

Strengths of the Traditional Midstream Rebates

- Simple concept
- Attractive to retailer
- Reduces retailer barriers and risks
- High familiarity with concept

Challenges with Traditional Midstream Rebates

- Increased costs, pay for free riders
- Need to incorporate current market saturation levels per device
- Need to develop net-to-gross ratios
- EM&V more complicated than “Lift Concept”

Xcel Energy Pilot

- **Xcel Energy launched an electronics program to run 2009 – 2010**
- **Combined appliances for additional potential:**
  - **ENERGY STAR TVs, clothes washer, dishwasher, refrigerator and ceiling fans**
- **2009 Implemented "Lift" concept**
- **2010 Implemented "Traditional Midstream Rebate" concept**

2009 Pilot

- Implemented “Lift” Concept
- Recruited only one retailer
- Provided minimal savings
- Program development time extensive – 1 year
- Rapidly changing market made rebate criteria outdated very quickly

Goals for 2010 Pilot

- More cost effective program
- Offer more energy savings
- Attract more retailers
- Reduce barriers for retail participation

Modifications for 2010 Program

- **Used traditional midstream rebate model to reduce barriers for retailers and encourage more participation**
- **Increased budget to provide more options**
- **Adjusted assumptions to improve cost effectiveness**

Adjustments to Assumptions

- **Increased baseline and the rebate criteria to use higher ENERGY STAR criteria or CEE tiers**
- **Modified assumptions for TVs including size of unit, operating hours and lifetime**
- **Changed participation mix to reflect higher percentage of TVs**

Adjustments to Assumptions

- **Examined and updated incremental costs**
- **Developed net-to-gross assumptions. Decreased rebate amounts to match the market rate**
- **Increased overall participation**

2010 Participating Retailers

Signed Agreements

- **Best Buy (17 stores) – TVs and appliances**
- **Sears & K-Mart (39 stores) – TVs and appliances**

In Progress

- **Lowe's (14 stores) – Appliances**
- **Walmart (40 stores) – TVs**
- **Ultimate Electronics – TVs**
- **Appliance Factory Outlet – Appliances**

Rebate Criteria

Measure	NTG	Efficient Product	Incremental Cost
Television	74%	ENERGY STAR 4.1	$30.00
Television	95%	ENERGY STAR 5.1	$362.00
Clothes Washer	50%	CEE Tier 3	$200.00
Dishwasher	78%	CEE Tier 1	$85.00
Refrigerator	65%	ENERGY STAR	$30.00
Room AC	80%	ENERGY STAR	$30.00

Rebate Amounts

Measure	Rebate Amount
TV ES. 4.1	$20
TV ES. 5.1	$25
Clothes Washer	$25
Dishwasher	$20
Refrigerator	$20
Room AC	$20

Retailer Requirements

- **Document Plan - Requires retailer to write a plan**
- **Employee Sales Training – Educate sales people which units are eligible and the energy efficiency benefits**
- **Point of Purchase Displays – On each eligible unit**
- **Merchandising – Strategic grouping and showcasing of energy efficient units**
- **Marketing – Local marketing and/or advertising**
- **Sales Data – Submit detailed sales data on a timely basis**

Program Management

WI Energy Conservatory Corporation (WECC)

- Retailers
- Contractors
- Negotiations
- Daily Operations

Castanea Labs

- Rebate Validation Process
- Keep database of eligible models, SKU numbers and zip code area

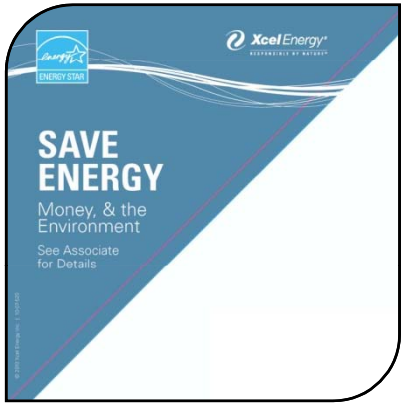
Xcel Energy

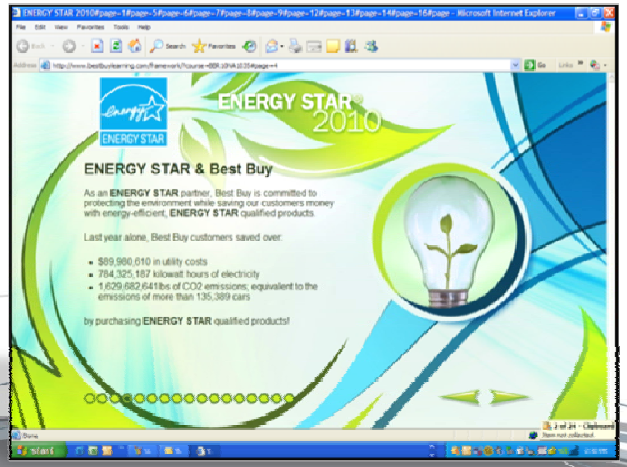
- Goals
- Budgets
- Strategy
- Marketing
- Work done by WECC

Estimated Achievements

	2009 Achievements	2010 Estimated Achievements*
Number of Units	3,803	40,000
Savings kWh	210,707	7,500,000
$ Spent	$233,975	$1,845,714
TRC	.93	1.12

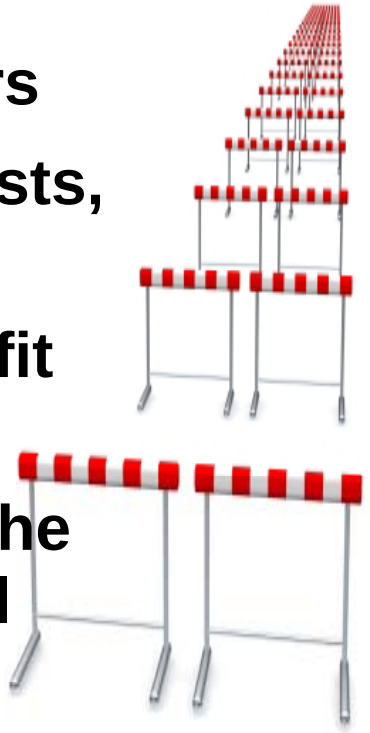
Marketing Materials





Creating a Successful Program

- Reduce barriers to participation for retailers
- Research equipment sizes, incremental costs, lifetime, operating hours
- Try different assumptions in the cost benefit modeling
- Higher energy saving options may not be the most cost effective because of incremental costs
- Develop rebate criteria that can be easily modified due to rapidly changing market



Creating a Successful Program

- Talk to the right people (retailers, manufacturers)
- Get help in analyzing model numbers and tracking data, paying rebates
- Provide marketing assistance – coop advertising
- Keep the program fresh, provide new motivations
- Allow extra time
- Be flexible

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