

Midstream/Upstream

Keys to Measure Identification, Program Design Considerations and Successful Program Implementation

August 2,
2017



ICF Energy Efficiency
Products Workshop 2017

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Midstream/Upstream Programs Agenda

- **What are Midstream/Upstream Programs?**
- **Where can they be applied? (Other Than to Lighting Measures)**
- **Why choose to implement Midstream/Upstream Programs**
- **What to expect from the market after implementation?**
- **Typical Midstream Program Pitfalls.**
- **ICF Solutions, Implemented Programs and Lessons Learned.**
- **Other Midstream Processes and Benefits.**



What Are Midstream/Upstream Programs & Where Are They Best Applied?

Midstream Programs Pay Incentives Directly to Distributors/Manufacturers

- Purpose to influence the distribution networks' stocking practices and create a transformed market.
- The market dictates if a Midstream (distributor) or Upstream (manufacturer) model is best applied. Today we'll simplify things by using the Midstream Model.

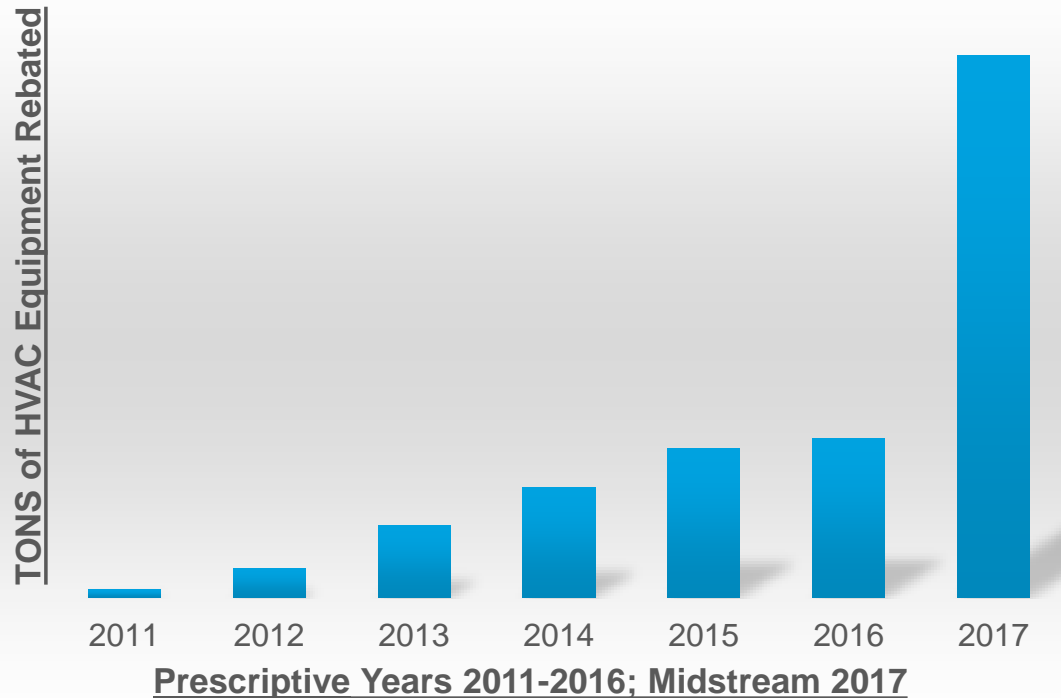
How to Identify Applicable Markets by Using Key Market Indicators

- High Percentage of Purchases are Made on an Emergency Basis
- Typical Equipment Stock for Distribution Network is Base Code/Federal Minimum Efficiency Equipment Being Immediately Available Driving the Purchase.
- Long Lead Times on Factory Ordered High Efficiency Equipment
- This Identifies Several Market Segments Serving Both the Residential and C&I Industries



Why Implement a Midstream Program and What to Expect After Implementation...

- **Implement for EE Measures with Low Historic Participation Rates Using Typical Downstream Program Models.**
- **We can Leap to Higher Standards and Still Expect Market Transformation**



Market Transformation?

- **Increased Participation by upwards of 1,500% in First Year!**
- **Equipment Standards set well past Federal Codes through 2019!**
- **Sustainable Growth of 15%-25% Through Program Years**
- **We are Setting the Bar well above Code**

Actual Published Program Participation by Public Service Commission of Georgia 2011-2016, Q1-2017 Forecasted TONS of HVAC to Public Service Commission of Georgia



Midstream/Upstream Programs, Design Considerations & Successful Implementation

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Typical Midstream Program Issues and Pitfalls

- **High Leakage Rates (Historical Average of 25%)**
 1. No customer validation
 2. Limited equipment validation
 3. Improper incentive calculations
 4. Fraudulent equipment purchases
- **Rush to Market**
 1. Lack of industry knowledge can hinder distributor participation.
 2. It can take several months for “blind” distributors to gain traction; slowing market adoption
- **Forced Incentive pass-through without Distributor Compensation**
- **Limited Equipment Brand Options, Limiting Market Penetration**
- **No Direct Customer Attribution**



Developed ICF Solutions and Lessons Learned

➤ Eliminate the Leakage

1. Customer validation digitally verified through encrypted utility customer eligibility portal; keeping all customer data private!
2. Dynamic eligible equipment databases.
3. Simplified program application process with layers of validation

➤ Engage the Distribution Network Early to Gain Adoption Quickly

1. Early identification and engagement of key industry distributors.
2. Program traction can take anywhere from 2 weeks to 3 months.

➤ Flexibility with Multiple Incentive Models

1. Allow the distributors to control where/how rebate money is applied
2. Rebate/Spiff hybrid model

➤ Utility Attribution via Automated Customer Communications



Other Processes and Benefits of Midstream Programs; The Future of DSM Programs

Engagement & Training

- Collaboration with distributors on eligible equipment databases with pre-calculated/validated equipment rebates
- Distributor Program Training
- Monthly Communications
- Efficiency & Sales Training for Distributor Staff & Contractors
- Customer Validation Training

Implementation Costs

- Lower Cost/kWh
- Lower number of industry partners reducing AM/PM manpower
- Empower distributors to take the marketing lead with their contractors
- No Paper + Digital Processing + Customer & Equipment Validation = No Leakage & No Errors!



QUESTIONS & COMMENTS?

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