Water Heating Strategy Update

Agenda

- Initiative update
- Market analysis
- Program recommendations
- 2016 Initiatives
- Goals for 2017

Water heater initiative update

In late 2015 Energy Trust announced changes to electric and gas tank water heater incentives, streamlined reporting requirements, and received approval to offer incentives for tanks sold at retail. The goal of these changes was to improve program performance by reducing program barriers and expanding program reach.

Since late last year we have finalized the Gas Water Heater Market Research http://assets.energytrust.org/api/assets/reports/Gas_Water_Heater_Market_Research_Report_Public_FINAL_wSR.pdf and NEEA completed an evaluation of the heat pump water heater initiative http://neea.org/docs/default-source/reports/northwest-heat-pump-water-heater-initiative-market-progress-evaluation-report-1.pdf?sfvrsn=6.

Utilizing this analysis we are completing implementation plans that include recommended actions to move program delivery to a mid-stream actors.

Today we will share the results of the research that has occurred since last fall and our implementation plan for water heating initiative through 2017.

Our current program performance

- Total market opportunity (gas and electric) is 63,000 unit replacements annually;
- Currently capturing 1% of the market with qualifying efficient products;
- Current gas tank water heater measure is not cost-effective (under PUC exception);

Program Opportunity

- Water heating is the second largest energy use in the home;

- Increasing penetration of current efficient gas and electric measures represents significant savings:
  - Electric – 12.5 million kwh/yr;
  - Gas – 225,000 therms/yr.

Assumes 25% of the replacement market.

Water Heating Market Analysis

Key findings from research:

- Contractors are key players in the supply chain;
- Distributors and manufacturers are well positioned to drive sales of efficient water heaters;
- Many eligible gas tank water heaters have low incremental cost;
- Paper work inhibits participation;
- Retailers represent a significant opportunity gas and electric water heater sales.

Program Recommendations

- Shift market engagement to midstream;
- Provide training opportunities for installers to increase familiarity with efficient technologies;
- Influence consumer purchase decisions with focused marketing and lead generation;
- Increase cost effective savings acquisition through the removal of incentive application process barriers;
- Promotion of lower incremental cost units.

Changes implemented for 2016

Incentive and program requirements changed:

- Incentives reduced for gas and electric measures;
- Program reporting requirements streamlined;
- Completed MAD for water heater incentives at retail.

2016 Initiatives

Based on both gas and electric market analysis Energy Trust is proposing a two pronged approach

Retail focus

Distributor focus

Retail Initiatives – 2016

- Understand and influence retail sales and stocking practices;
- Increase consumer education through website and marketing collateral;
- Streamline application submission process;
- Pilot online marketplace;
- Develop retail sales allocation methodology.

Distributor Initiatives - 2016

- Expand stocking practices to include qualified products;
- Facilitate manufacturer trainings for contractors;
- Build pathway to shift incentive application role midstream;
- Develop marketing strategy with key market partners;
- Develop distributor sales allocation methodology.

Goals for 2017

Implement mid stream program design:

- Incentives paid to retailers/distributors (no customer facing incentive);
- Distributors and retailers (market partners) to manage upstream and downstream relationships;
- Market partners will be point of delivery of contractor training, lead generation;
- Market partners assume paperwork barriers for contractors.

Questions?