Welcome to the waiting room. We'll begin shortly.

Reminder: Today's webinar will be recorded and shared with attendees.

Welcome

Deepti Dutt

Manager,
Technology Market Transformation

Things to Note

- This webinar is being recorded
- In NEEP's ongoing effort to improve accessibility to both our work and events, we have enabled the closed captioning, the control to disable this feature is located in the lower right corner
- The slides and recording will be sent to all attendees
- All lines will remain on mute—please type in your questions in the Q&A at any time
- Chat will be available for comments, discussion, and collaboration
- Antitrust statement: Participants shall comply with competition law requirements and shall not enter into any discussion, activity or conduct that may violate any applicable competition law

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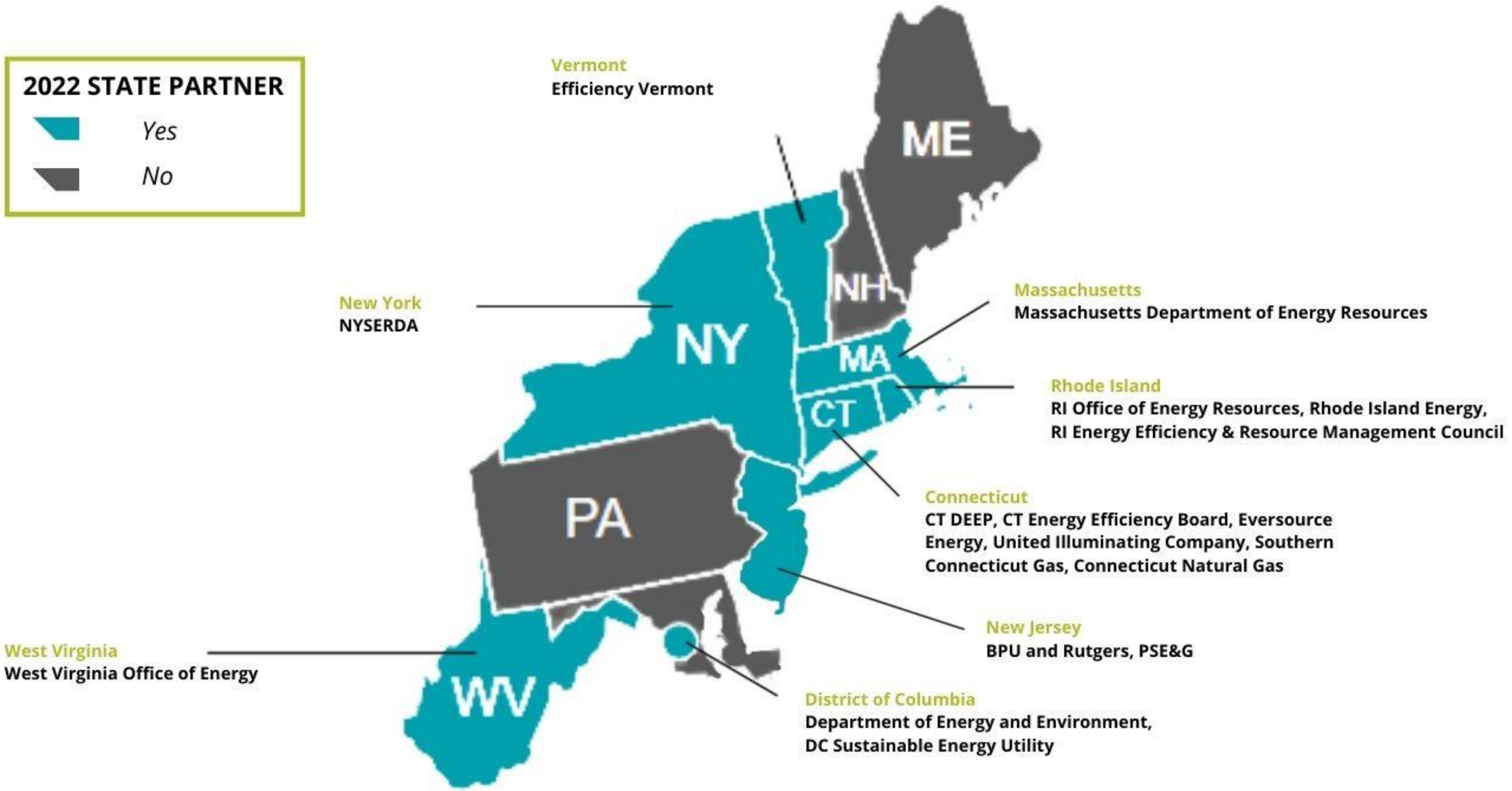
Northeast Energy Efficiency Partners (NEEP)

State Partnerships

NEEP works closely with our State Partners on the successful application of policies, programs, and technologies, and brings knowledge of what strategies work (and don't work) to advance the state's and region's clean energy goals.



Demystifying Mid-Stream Heat Pump Water Heating Programs

Deepti Dutt

Manager, Technology Market Transformation

Northeast Region HPWH Alliance

Pacific Northwest NATIONAL LABORATORY

ENERGY STAR

D+R International

AWHI ADVANCED WATER HEATING INITIATIVE™

Utility Partnerships

Manufacturer → Wholesale Distributor → Plumber/HVAC Contractor → Residential Customer

Upstream (Manufacturer)

Midstream (Wholesale Distributor, Plumber/HVAC Contractor)

Downstream (Residential Customer)

Source: How It Works: Understand the Fundamentals of Shifting Incentives to a Distributor | ENERGY STAR

Key Market Barriers

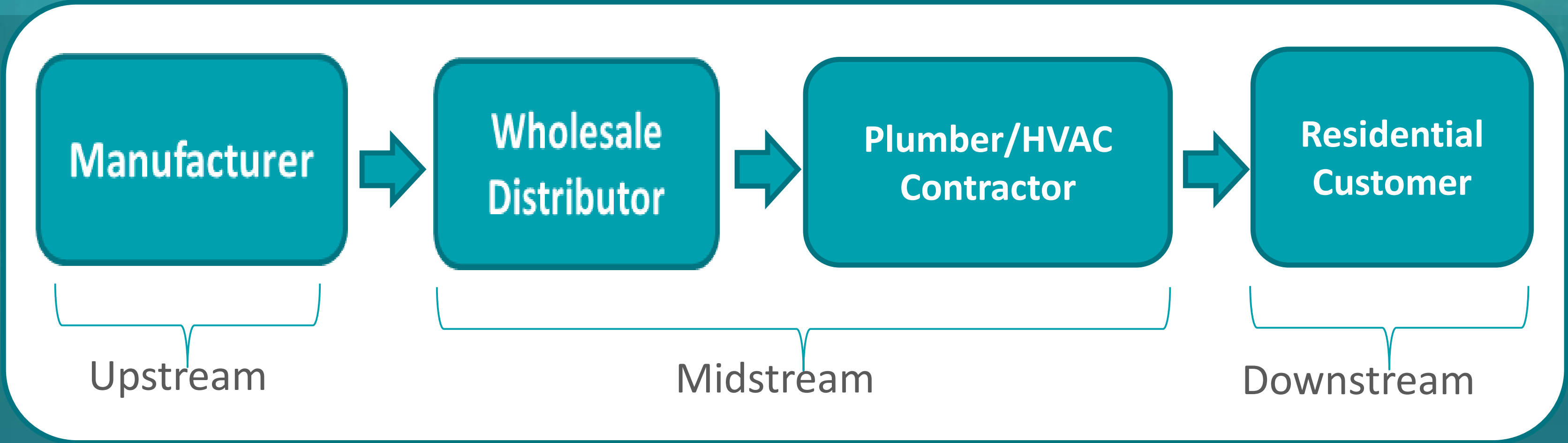
Alliance Findings

Plan of Action

- Customer Marketing
- Contractor Training and Education
- Equity Enhancements –

  Rebates and other cost offsets

Overview of HPWH Incentive Programs Northeast Region



Northeast / Mid-Atlantic region has robust set of programs in the region for several years - but uptake has been slow

- Majority of states offer some incentives at the distributor/contractor level
- The rebates range from $400 up to $1000

Source [How It Works: Understand the Fundamentals of Shifting Incentives to a Distributor | ENERGY STAR]

Heat Pump Water Heater Program Best Practices

Working with supply chains to maximize impacts

George M. Chapman
National Codes and Standards Director
Energy Solutions

About Energy Solutions

Our Mission: Create **large-scale energy and environmental impacts** by leveraging **market-based solutions**.

- For 25 years, our pioneering, market-driven solutions have delivered reliable, large-scale and cost-effective savings to our utility, government, and private sector clients across North America.
- We are a mission-led, employee-owned clean energy implementation firm whose team of smart, passionate people are committed to excellence and to building long-lasting, trusted relationships with our clients.

Time is NOT on Our Side

Recent DOE rulemaking will require heat pump water heaters for most residential electric water heaters by 2030.

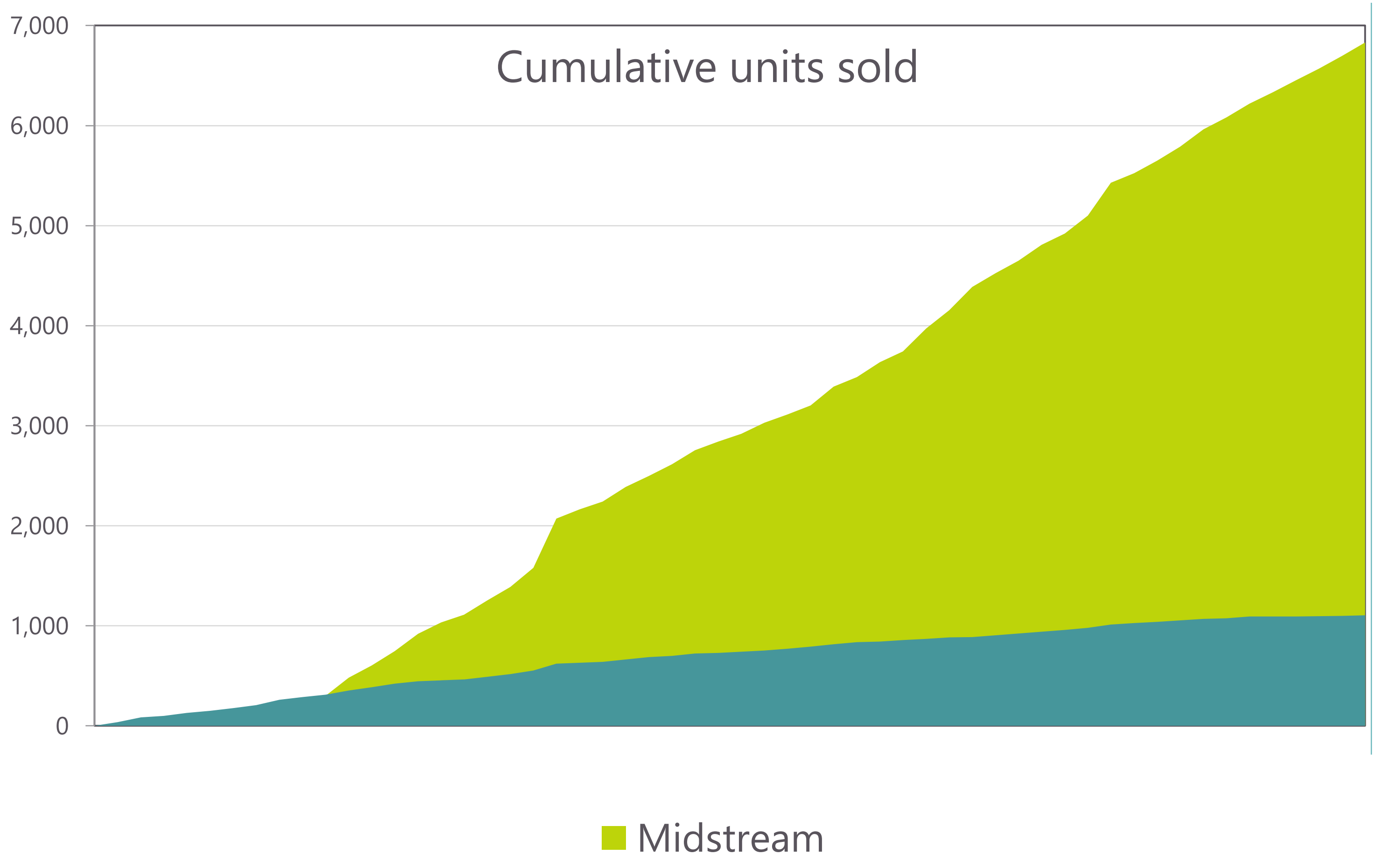
- That's **27 QUADS** of energy savings!!!
- Heat pump water heaters will be 63% of the US electric water heater market, up from the current 2%.
- The market needs help to ensure a smooth transition, effective programs are more important than ever.

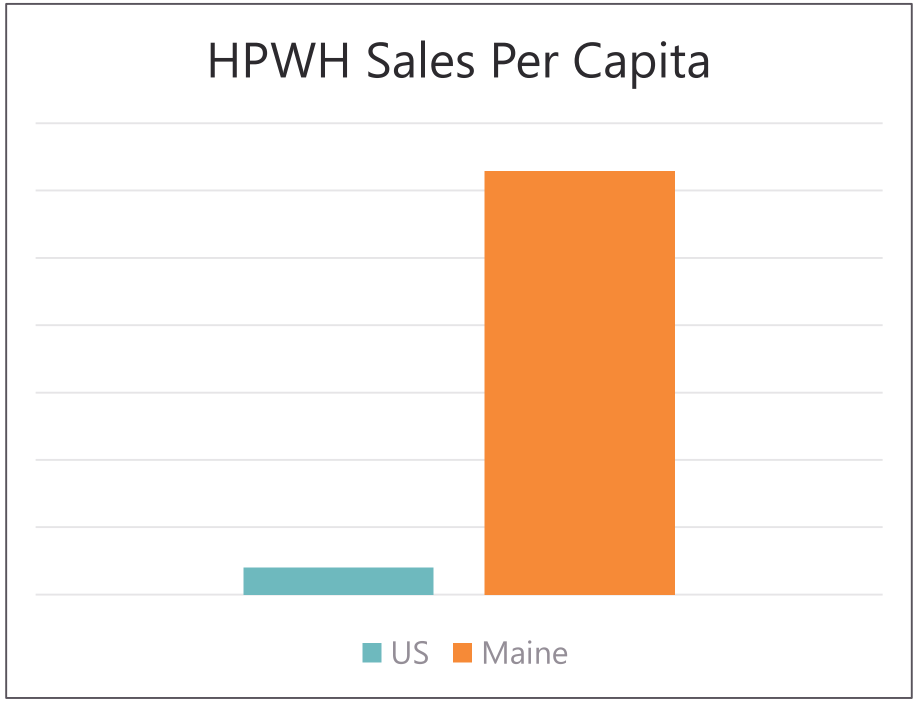
IRA funding is a generational opportunity to advance the sale of heat pump water heaters, if we use it well!

- Tax credits are great, but not immediate.
- **Incentives** are means-tested and can be complicated.

Point of Sale is Successful!!

Vs. Rebate



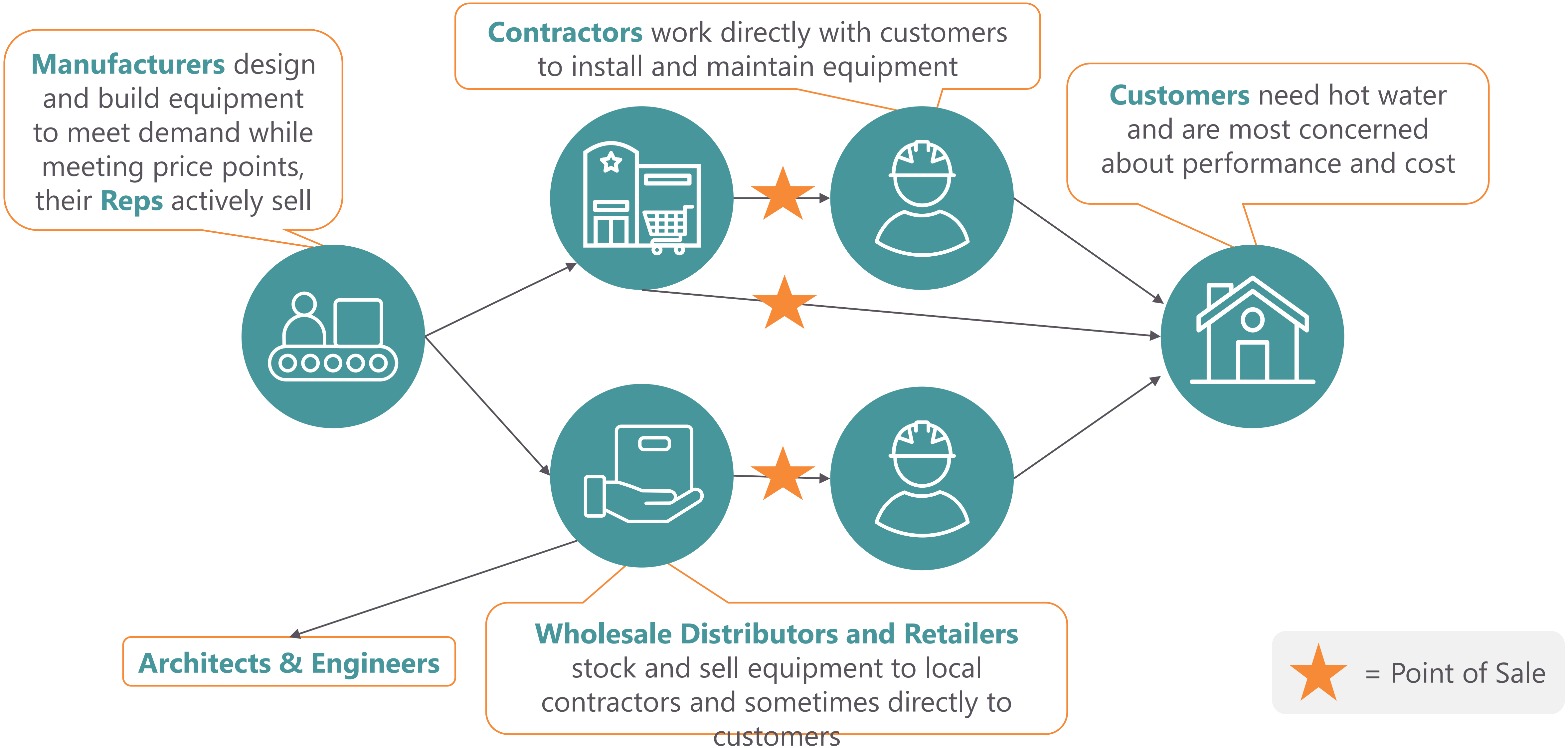


The Foundation: Align Interests

- Successful programs work WITH the market
- Contractors and distributors are the best allies for adoption of heat pumps – so work with them!
- Understanding their interests (selling water heaters!) allows for better program design
- This is a win-win-win!

	ELECTRIC RESISTANCE	HPWH
Gross Margin % per water heater	18%	19.7%

The Heat Pump Water Heater Supply Chain



Market Perspectives

90% emergency replacement	Lowest cost wins the bid!	Contractors are our customers	Everyone is our customer	Multinational supply chain = long-term plans
Hot water: NOW	Truck Rolls = $$$$$	No dust on the shelves!	Water heaters are just one SKU of many	Not focused on selling to consumers
"It costs HOW much?!"	No callbacks, ever!	Strong manufacturer relationships	Contractor focus is our future	Often both retail and wholesale
"What do you recommend?"	Like-for-like minimizes risk	Reliability matters	Consistency across stores matters	HPWH are premium products
Peer Pressure: What do most people do?	Need to justify investments to participate	Investments require consistency	Contractual relationships with manufacturers	We have strategies to sell heat pump water heaters!

Market Considerations

Market actors have different **motivations**, which can lead to **solutions** to help improve adoption of heat pump water heaters.

BARRIER	APPROACH TO ADDRESS
Emergency Replacement	HPWH need to be stocked
First Cost	Discount at point of purchase
Winning the Job	Include incentive in quote
Reliability	Education and training
Return on Net Assets	Quick payment of incentives
Program Certainty	Commitment to funding and timeframe

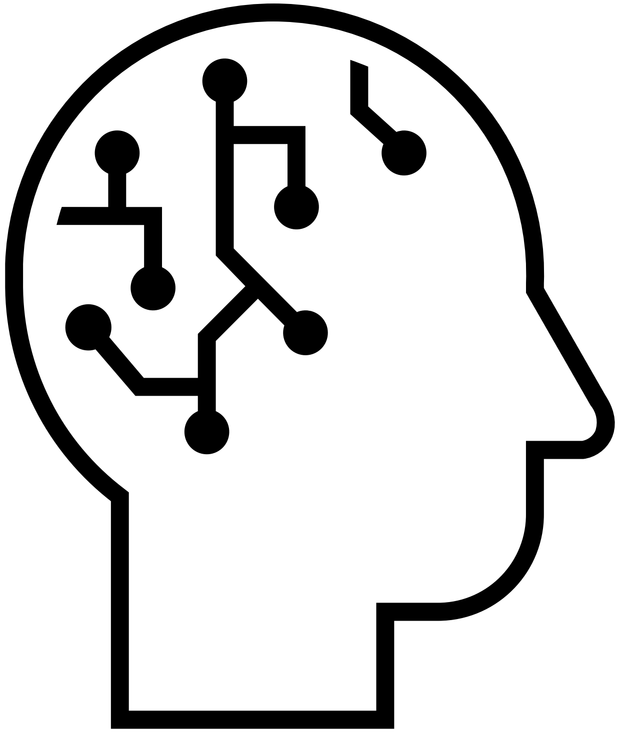
Education is Critical

1 Plumbers and distributors need comfort with the product to recommend it

2 Influencers need to be able to sell the benefits to consumers

3 Consumers need to be confident it will fit their needs: reliable hot water!

4 Manufacturers educate and train – team up with them to advance your joint interests!



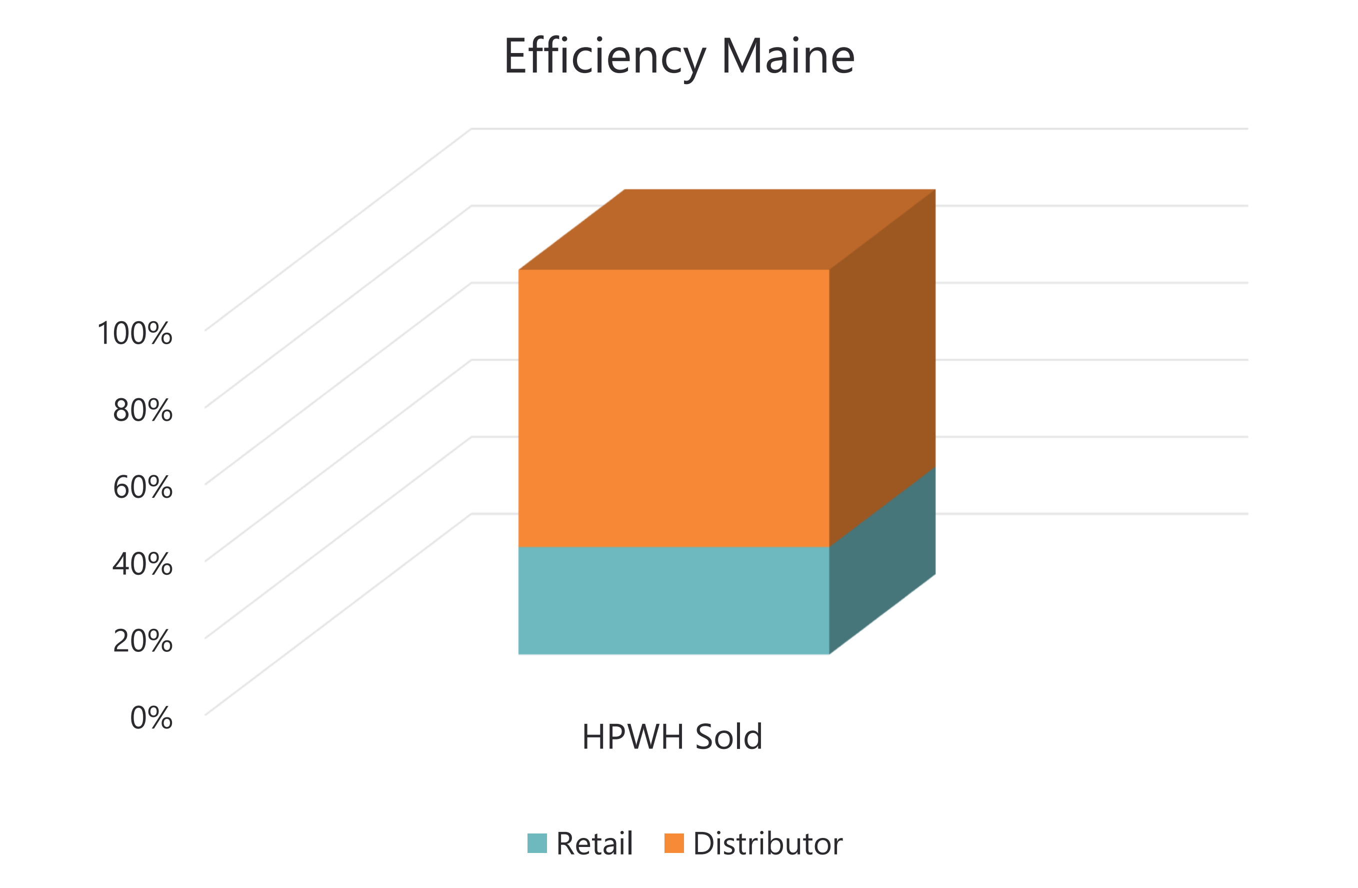
Benefits of Point of Sale

1 Promotes increased availability, sales, and installation of efficient equipment

2 Influences distributor stocking practices

3 Diminishes financial barriers

4 Aligns interests and facilitates market transformation



HPWHs: 7 Key Drivers / Program Success Model

1. 100% Incentive Pass-through w/Instant Rebates
2. Aggressive Sales & Marketing
3. Optimize Data Collection
4. Elevate Inventories/Increase Inventory Turns
5. Deep Supply Chain Engagement
6. Product & Program Training
7. Supply Chain Account Manager/Single Point of Contact

Audience Q&A

George M. Chapman
National Codes and Standards Director, Energy Solutions

Helen Davis
Sr. Project Manager, Energy Solutions

Howard Merson
Senior Fellow of Trade Ally Strategy and Management, Energy Solutions

Supply Chain, HPWH *asks*: SMIT

Sales

- Expertise in selling energy efficiency
  - Large percentage under duress

Marketing

- Strategies and collaborations w/manufacturers, reps, retailers and distributors

Inventory

- Elevate inventory
  - 70 to 90% of heat pump water heater sales, emergency replacement
- Increase inventory turns

Training

- Product & program training
- Info on utilities
- Data for achieving speed and scale on market transformation

Supply Chain Account Manager

Single point of contact

- Simplify & streamline engagement
- Helps inform intervention strategy
- Build & maintain relationships
- Liaison; supply chain & other regional utilities
- Execute SMIT plans

SMIT Process

Internal stakeholder planning meetings

Request for information (RFI) to suppliers

Suppliers: Develop and present SMIT plan

Efficiency Maine – Challenges and Solutions

Catering to Customers

- Narrow window of interest – target internet and in-store advertising
- Interests – hot showers, low prices, and easy installation, not new technology or future energy savings
- Cashflow – instant discount, not mail-in or tax rebates.

Overcoming Plumber Objections (they may not be natural allies)

- Additional install costs (extra helper, potential electrical work, refrigerant system) – help them understand the value proposition AND risk of not promoting heat pump water heaters (they might lose the sale)
- Paperwork and risk of non-payment – instant discount, easy to access

Supporting Retailers

- Inventory – intra-organization coordination, new parts numbers, forecasting
- Pricing – who is the customer? (The PROGRAM is the customer, and they will pay!)
- Merchandising – stock on the floor, not up in the steel, use QR codes for instant rebates

Efficiency Maine Insights – Critical Success Factors

Motivating Incentives

- Significant incentives ($850-$950)
- Target price = parity at retail, cheapest by $100 at distribution

Easy

- Any ENERGY STAR(R) model
- Building must be in Maine

Supported

- Field team visits each branch/store weekly
- Pay incentives quickly
- Communications link between stores, distributors, manufacturers and the program

Marketed

- Messaging: tens of thousands of people in Maine use this product to save significant money.
- Targeting narrow window of interest: search results/ads, in-store, in-branch, point of purchase, share pricing on their website

Continuously Improving

- Weekly customer call recording monitoring
- Trade ally, manufacture and distributor “ride-alongs”
- In-store intercept interviews
- Thousands of homeowner conversations, focus groups, over a hundred events a year
- Feedback options, efficiencymaine.com reviews

HPWHs: Maine Secrets of Success

1. Instant/point-of-sale discounts
2. Match price in retail, beat it at distribution
3. Focus on in-store/branch promotion, inventory and data collection
4. Emphasize consumer benefits (not technology)
5. Inspire customer action
6. Serve retailers, distributors, manufacturers (don't manage them)
7. Seek and follow top performer feedback
8. List retailers by best prices
9. Demand drives supply!
10. Follow program mission and guiding principles
11. Document process and follow documentation

Supply Chain Profit Model: *Return on Net Assets*

$$\text{RONA} = \frac{\text{NI}}{\text{INV} + \text{AR} - \text{AP}}$$

RONA Drivers	Considerations
Increase gross margin (GM), gross profit (GP) & net income (NI)	Energy-efficient products affect GM, GP, & NI
Decrease inventory (INV) investment & increase turnover	Collaborative sales & marketing Intensive product & program training Incentives increase market demand
Accounts Receivable (AR)	Avg. AR collection 50 - 55 days; **Target < 14 days**; Leverage Program automation
Accounts Payable (AP)	Avg. AP terms 30 - 35 days; Target: 45 - 240 days

Thank You for Attending Today's RSS

Happy Holidays!