Advancing the evolution of incentive design

A collaborative exploration of incentive strategies for energy-efficiency programs
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May 26, 2020

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Program administrators in the US and Canada spend nearly $7 billion per year on energy-efficiency programs. Approximately 30% of that money goes toward implementation and administration, and the remaining $5 billion is earmarked for incentives. Incentive programs, run by utilities, local governments, and state agencies, help make energy efficiency more affordable for customers. Administrators have been running incentive programs for decades, but they're under renewed pressure to improve cost-effectiveness and achieve greater savings with smaller budgets.

Stricter codes and standards, rising baselines, declining avoided costs, and faltering regulatory and legislative support have created an environment where program planners are expected to do more with less. And now, with a COVID-19-induced economic recession looming, we're likely to see heightened regulatory scrutiny of program costs as well as a decline in customer willingness to make discretionary investments.

You could increase the future yield on your incentive budgets by as much as 20% by adopting advanced incentive strategies.

So what's a program administrator to do? The traditional approach to incentive design isn't going to cut it if you want to hit your goals. You'll need new, more-sophisticated approaches that consider things like channel, form, and timing of incentives. You could increase the future yield on your incentive budgets by as much as 20% by adopting advanced incentive strategies.

To that end, we're partnering with ICF International, a global consulting and digital services provider for the energy industry, to explore how we can apply lessons from academic research into consumer behavior, pricing, and discounting theory to incentive design. We'll:

- Interview supply-chain manufacturers to determine how they incentivize their energy-efficiency products
- Identify where incentives will be most influential in the customer journey
- Examine how customers make decisions based on product attributes
- Look beyond applications of payback acceptance curves to develop technology-specific price elasticities that reveal customers' true willingness to pay for energy efficiency

The results of our study will demonstrate how new strategies will effect participation rates as well as how to get buy-in from stakeholders and regulators, with the goal of helping program administrators improve their incentive strategies.

To get more information about the scope of the study and its deliverables and how to participate, complete the form on The Incentives Project page.

Learn more about The Incentives Project

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