

3.2.4 Conclusion: Summary of Non-utility Program Administrator Insights

Non-utility program administrators have many advantages in designing and structuring their services to best reach local contractors and customers. A program that understands its local market’s needs can form critical partnerships to help local businesses generate new revenue streams and increase demand for home energy upgrades. The summary below details important observations on non-utility program administrators and those observations’ impact on potential expansion into the residential energy efficiency market. Understanding these impacts can help program administrators create and/or sustain a business model that promotes energy efficiency.

Summary of Non-utility Program Administrator Insights		
	Observations	Impact on Potential Expansion into Residential Energy Efficiency Market
Market	<ul style="list-style-type: none"> While the home energy efficiency market was \$38.3 billion in 2009, there is still much that is not fully understood at the regional and local level about the dynamics of the market.³⁷ Program administrators typically have grant funding ranging from approximately \$500,000 to \$100 million. 	<ul style="list-style-type: none"> Program administrators may lack sufficient data on markets, including the baseline building stock, customer demographics and demand, and other regional considerations. Residential energy efficiency program administrators were created to help lower many of the barriers that have slowed the development of the market to date, such as lack of information, high up-front costs, and lack of consumer demand for energy upgrade services.
Governance	<ul style="list-style-type: none"> Program administrator’s governance models include the following: <ul style="list-style-type: none"> Government-owned (federal, state, or local government) Private company or NGO (typically a subcontractor or third-party implementer to a government-funded program) Regulations associated with grant funding may restrict program design or operations, limit service offerings, or increase administrative burdens on potential partners. The program administrator-owner may be a different entity than the third-party implementer, adding layers of bureaucracy. 	<ul style="list-style-type: none"> Program administrator regulatory reporting requirements can be burdensome and may discourage the private sector from working with a program effectively. Program design flexibility enables non-utility programs to partner with a wide range of private and public organizations in pursuing their mission of delivering home energy upgrades. Program administrators can increase market sustainability by enabling private companies. This shifts market activity away from government-funded and -run programs to fully private-funded and -run programs.
Financial Model or Structure	<ul style="list-style-type: none"> Program administrators often rely heavily on public funding and do not have a comprehensive business plan for generating sustainable revenues. Program administrators can identify sustainable revenue streams through engaging contractors to determine potential demand and pricing for these services. Once pricing and services are determined, a program administrator can forecast potential revenues by integrating data from contractors and market research into a simple income statement model. 	<ul style="list-style-type: none"> At the present time, program administrators typically only last as long as their influx of public funding. Program administrators must leverage their initial funding to implement programs that generate sustainable revenue streams. Program administrators can partner with utilities, contractors, and financial institutions to leverage the expertise of established firms to deliver services that the program cannot provide directly.
Assets and Infrastructure	<ul style="list-style-type: none"> Perhaps the most critical program administrator asset is its reputation, which is critical to marketing energy-efficient goods and services both to customers and potential program partners. 	<ul style="list-style-type: none"> A well-developed program brand image can help a program not only sell its own services to customers but can also serve as a new offering to potential partners. The program could leverage its credibility with the consumer to

³⁷ Pike Research. “Residential Energy Efficiency Market Poised for Strong Growth During the Economic Recovery.” (2010). <http://www.pikeresearch.com/newsroom/residential-energy-efficiency-market-poised-for-strong-growth-during-the-economic-recovery>.



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	<ul style="list-style-type: none"> ■ A major program administrator asset is program management software, which can be costly if not optimized to program needs. ■ Program administrators can leverage software to streamline administrative functions. They can also generate revenue by providing data services to home performance contractors and other programs. ■ Program administrators may be able to purchase a multiple-license agreement at a bulk discount and/or sub-license additional licenses at a discount to neighboring programs. ■ Program administrations wishing to sell software to other programs or contractors as their primary service will need to build their own customer software package. 	<ul style="list-style-type: none"> ■ endorse services offered by partner contractors or utility programs. ■ Investment in software enables a program administrator to be more sustainable in the energy efficiency market by reducing costs and creating additional revenue streams. ■ Software packages that can collect data on customer demand, job progress, and building performance can also enable program administrators to streamline reporting requirements and illustrate program value and growth potential to future investors.
Service Offering	<ul style="list-style-type: none"> ■ The program administrator's services include: <ul style="list-style-type: none"> - Generating and allocating leads - Serving as enablers of financing or incentives for home performance work - Qualifying and training contractors - Providing installation work and quality assurance work directly in some cases. ■ Aligning program service offerings with other existing market actors' (e.g., utilities) can help reduce customer confusion by lowering the potential for mixed messaging. ■ If given a choice between indirect benefits, such as discount loans, and direct incentives, homeowners will take the direct incentives. It is difficult to find the right balance between direct, non-sustainable subsidies to homeowners to spur demand and indirect service offerings that can extend program life. ■ Programs have flexibility to partner with other actors in the market. 	<ul style="list-style-type: none"> ■ Program administrators need to build and maintain relationships with local contractors and customers to effectively drive home energy upgrades in the long run. ■ Program administrators can help smaller home performance contractors generate business by allocating leads, although this may be frowned upon by established home performance contractors who have more established lead generation systems. ■ Program administrators may stunt private sector growth by doing installation work directly, rather than enabling private companies to provide home energy upgrades more effectively. ■ Program administrators must balance customer incentives with other service offerings that can cover program administrative costs. ■ Program administrators can offer a source of leads, low-cost customer financing, training, admin software, energy assessments, and third-party validation to generate sustainable sources of revenue. ■ Program administrators can generate revenue directly from homeowners, for example by charging a small fee for energy assessment services or offering homeowners a "concierge" service. ■ Program administrators can offer valuable business and sales training to companies seeking to become home performance contractors— these companies generally need this type of training at least as much as technical training. ■ Key industry partnerships can help programs expand their potential revenue base through co-branding and referrals.
Customers and Customer Acquisition	<ul style="list-style-type: none"> ■ Program administrator marketing efforts are essential to the development of the market, but can be costly to maintain if outside stakeholders are not properly leveraged. ■ Program administrators can train local 	<ul style="list-style-type: none"> ■ The program administrator can play a key role in generating awareness of energy efficiency and driving demand for home energy upgrades. ■ Collaborating with other actors and market "champions" is an effective way to develop

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	<p>“champions” to promote program goals. This is a cost-effective way to promote education on efficiency.</p> <ul style="list-style-type: none"> There are two basic concierge models that a program could provide: customer representative to the contractor or contractor representative to the customer. 	<p>market demand.</p> <ul style="list-style-type: none"> The type of concierge model chosen by the program should be structured based on the attributes of their local market, including the relative sophistication of the customer and the contractors.