

Challenge Brief: Energy Efficiency Pilot Program for Small Rural Businesses

What is the Initiative?

A six-month pilot program in collaboration between [Energy Efficiency Alberta](#) (EEA) and [EQUS](#) to help small business save energy offered to EQUS' small business members. The pilot is an opportunity to test a combination of direct installation for small businesses, incentives, financing support, and on-utility bill cost recovery in rural Alberta. This includes:

1. A walk-through audit to identify energy saving opportunities and costs.
2. Connecting participants with local contractors to perform installations.
3. Helping participants secure a loan for the remainder of the project costs, that is then paid back in installments on their EQUS utility bill. Payments are matched with savings so that it is cash flow neutral.

This is the first program of its kind offered by EEA in rural Alberta in particular for small business.

Why is this initiative important?

We have found small businesses in rural areas are typically harder to engage in energy efficiency programming due to time, capital availability, and a lack of awareness of energy efficiency opportunities and challenges. Energy Efficiency Alberta (EEA) has a mandate to help all Albertans save money and energy, and program participation in rural areas is lower than planned. Also, EEA has received feedback that its current programs do not always address the unique needs of rural Albertans.

EQUS sees this program as an opportunity to provide value to its customers, by reducing members operating expenses and supporting local industry as the program will provide training and steady work for local contractors.

From a broader perspective, energy efficiency offers a cost effective way to manage growth in electricity usage and bring on “additional” capacity.

What is the ambition for this initiative?

Success for the pilot would be to have **30-40 businesses** sign up. In an ideal world, this would happen shortly after the program is announced at EQUUS' March 2019 Annual General Meetings (March 25 - 27). Conversely, failure would be round after round of marketing and with no businesses signing up. Part of the pilot is to find the most efficient way to reach rural communities, in addition to the most effective incentives.

Additionally, success would see RFPs secure **quality local contractors to participate**, with flawless deliver of the pilot program.

Additionally, the pilot should also provide good **intelligence on rural small businesses**:

- What do they care about?
- What is the motivation to be involved, e.g. incentives, energy savings, operational issues (poor lighting), safety and secure, climate?
- What are the barriers, e.g. adversity to loans?
- What is the best way to communicate/market the program launch, program changes etc. to our target audience?
- How does the target audience source and consume their information? i.e. Online, local community bulletins/rural newspapers, town halls?
- What type of messaging would resonate with this target audience? i.e. Price, local pride, energy efficiency/clean energy, climate change/environmental impacts?

The hope is that the pilot proves successful, small businesses become advocates for energy efficiency, and **EQUUS offers the program long-term**. As well, the pilot generates enough interest with other utilities that they also offer a similar program to their customers.

Targets will be set for:

- TRC: Total Resource Cost (value of all future electricity and natural gas savings divided by the total cost of programming (admin / marketing, incentives,) plus the participant cost (what they pay for the installation beyond the incentive amount): should always be above 1, target at least 2 for all programs, majority of programs are currently around 2.5
- Total energy savings / GHG reductions
- Number of participants (Target 30-40 participants)
- # and quality of local contractors recruited and deployed
- Customer satisfaction with contractors and program delivery
- Total direct jobs created
- Total job years created / net economic growth

- Program seen as valuable / well executed by EQUS members
- Satisfaction of contractors participating in the program (ease of participation, \$\$ pay back, training ops)

What challenges are there to achieve the ambition?

EEA feel that it has a powerful program, with a strong marketing champion in EQUS. At the same time it does not want to be naive about working in a rural setting. One of the main challenges is related to **marketing and signing up businesses for the program**. Things that may get in the way of the program achieving its ambition include:

- Possible rural distrust of “government” program
- Risk of adversity on taking out financing
- Time and interest of potential participants – competing priorities
- Need intelligence on what would best encourage program participation: Energy savings? Building comfort, safety and security? Get “something free”? Environmental / climate change reputational value? Business competitiveness through reduced operating costs? Operational issues to be solved: poor lighting impacting worker productivity, etc.

How can EEA and EQUS design a marketing program that addresses these challenges and gains the trust and thereby participation of rural small businesses?

Additionally, **the availability, capacity, interest and skills of local contractors** to perform installations is uncertain. What can be done to ensure that local contractors are available and can perform the work?

What constraints must be respected?

The following constraints must be respected:

- The program will be launched in September
- The audience for the pilot is EQUS’ 12,500 members
- Administration and marketing budget, along with incentives to have a net TRC of +2 (see above), i.e. can’t pay too much for too little energy savings.
- Program design will have mostly been determined by that point, i.e. incentives type, amount, business type, building type. EEA and EQUS will be able to provide more detail at the session.

What has been tried in the past? What has worked?

A combination of direct installation, incentives, financing and on-bill cost recovery has been very successful in other North America markets but not in such a rural, geographically spread out service territory.

This is a new program for both EQUUS and Energy Efficiency Alberta