Estimating Markets for Energy-Efficiency and Load Management Services in Large Commercial and Industrial Markets

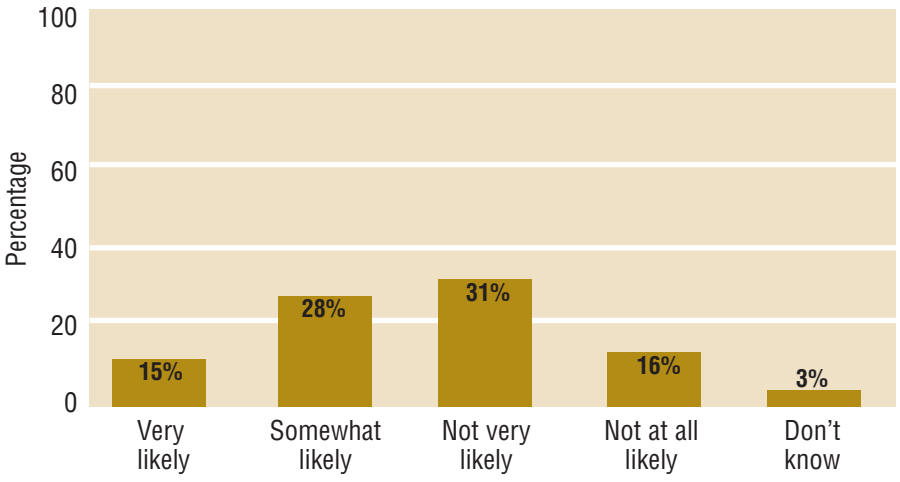
Load management (or peak load reduction) programs have drawn renewed interest in recent years due to electricity shortages and extreme price spikes in several parts of the United States. However, many energy decision-makers at midsize and large commercial, industrial, and institutional organizations aren't aware of effective approaches for reducing peak demand and thereby saving money. This E SOURCE market research study was designed to help guide the efforts of energy service providers (ESPs) interested in approaching these end-users with load management and energy-efficiency options.

Current Outlook on Load Reduction

We found that around 20 percent of large customers report being on a time-of-use rate, 13 percent say they participate in a voluntary load reduction program, and 10 percent say they are on an interruptible rate. These customers believe that 81 percent of their load is essential during peak load periods, meaning that, on average, 19 percent could be available for reduction without causing significant harm at their facilities. When asked what percentage of load they would drop if they were to receive 50 cents per kilowatt-hour reduced, the response was 14 percent-which would have a very substantial impact on peak demand. We also assessed how different market groups view the importance of such program elements as time of day, length of interruption, and degree of advance warning given.

Likelihood of participating in a voluntary load reduction program

Forty-three percent of large end users say they would be either somewhat or very likely to participate in a voluntary load reduction program.



SOURCE: E SOURCE

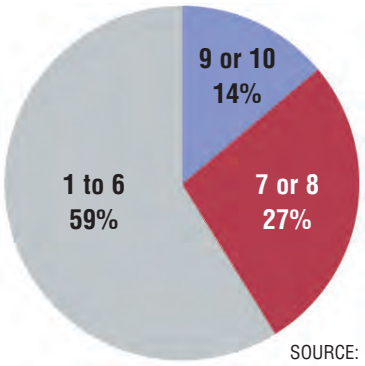
For this study, we sorted customers into groups on the basis of several key variables, including Standard Industrial Classification (SIC) code, size of business, current program participation, and load available for shedding. The results will allow ESPs, rate and load management designers, demand-side management (DSM) planners, and energy-efficiency planners to better understand what these customers want and how best to deliver solutions that work.

Energy-Efficiency Trends and Opinions

Only 14 percent of the surveyed customers rated themselves highly when it came to understanding ways to save money through energy-efficiency practices. Organizations that tend to be more sophisticated in this area are schools and other educational facilities, restaurants, and larger organizations in general.

Customers most often said that lighting was the most efficient equipment at their facilities and that HVAC systems were least efficient. However, there is much variation among the market sectors. Overall, 77 percent of respondents named their local utility as a qualified provider of energy-efficient equipment. Restaurants proved to be a major bright spot for ESPs, given that 86 percent of managers in this sector feel that their local utility is a qualified provider of energy-efficient equipment. This report identifies the investments that these customers are most willing to make, where their needs are greatest, and how rebate and financing programs will affect their decisions.

Familiarity with energy-efficiency practices
Overall, familiarity with energy-efficiency practices among large commercial and industrial end users is fairly low, as shown by these ratings based on a 10-point scale, where 10 equals "extremely familiar."



SOURCE: E SOURCE

Methodology and Deliverables

For this study, E SOURCE surveyed more than 800 energy decision-makers at commercial, industrial, and government institutions throughout the U.S. and Canada in the fall of 2002. Within the commercial market, we interviewed organizations in the healthcare, education, retail, office building, hotel, grocery, and restaurant sectors. Within the industrial market, we interviewed organizations that produced finished products and those that manufacture equipment or inputs into other industrial processes.

The final study report-complete with graphics, key findings, and actionable recommendations-will be delivered to study subscribers with a data notebook containing a PowerPoint presentation of topline results and a CD with complete datasets in Excel, ASCII, and SPSS formats.

Related E SOURCE Studies

This study is one of three E SOURCE market research reports available that cover the large commercial and industrial marketplace. Completed in fall 2002, all three are available now. The other two studies are "Estimating Markets for Distributed Energy Resources and Power Reliability Services" and "Estimating Markets for Energy Information Services."

For pricing information or to purchase, contact:

Gary Sunshine
E SOURCE

TEL
303-444-7788

E-MAIL
gary_sunshine@esource.com