

Southern California Edison

CFB & CFL Manufacturers' Rebates

Utilities have learned that moving rebates upstream, from the consumer to the vendor, is a cost-effective means of promoting energy efficiency. Southern California Edison has demonstrated the success of this model in its Compact Fluorescent Bulb program, which gives the incentive to the manufacturer, creating two pronounced benefits. First, by requiring that the manufacturer pass along the unit savings downstream, a \$5 incentive becomes far greater when it reaches the consumer. (Consumer discounts can reach as high as \$15 with a \$5 manufacturer's rebate.) Second, by allocating wholesale rebates to a large quantity of lamps from manufacturers, utilities can stipulate performance criteria, such as maximum levels of harmonic distortion and minimum efficiency levels. Manufacturers' rebate programs can create financial leverage while transforming the market for energy-efficient products.

Another feature of the CFB program design is its three-fold ability to work with manufacturers to achieve even greater cost savings and performance improvements, each of which will further stimulate market transformation. First, since the utility rebates CFLs in bulk, manufacturers have been keen to participate in the program, and have even contributed to further lower the cost of the lamps. Second, by establishing a bidding and scoring system, Edison has been able to push manufacturers to produce products with quite specific and improved performance characteristics. Third, the program has been able to reward manufacturers with strong and established distribution channels (for instance, in large retail chains). Edison's contracts with participating manufacturers included a prerequisite number of units to be sold within an allotted timeframe. If this quota was not met, SCE reallocated the funds to other manufacturers who could deliver, market, and sell the lamps. Points were also awarded to manufacturers based on the degree to which they would commit to help market the lamps, often through cooperative arrangements with retailers.

Included in the program's design is a self monitoring component which cuts the administrative responsibilities of the utility and obligates the manufacturers to meet sales commitments. Verification of completed sales was required in the form of purchase orders and shipping documentation before manufacturers are reimbursed for their rebates. This confirmed that the pre-set sales agreements had been met and tracked the movement of units for SCE.

SCE's manufacturer's rebate program is a proven method of achieving high penetration and market transformation at lower costs in an easily transferable design. Their residential CFB program succeeded in moving over 2 million lamps with administrative costs running only 10% of the program's total costs, increasing the products' distribution by eight-fold. A similar success was experienced when SCE applied the model to their commercial customers and to other efficiency technologies. Currently, this same model is being considered by utilities across the country and on a nation-wide scale.

SOUTHERN CALIFORNIA EDISON CFB and CFL Manufacturers' Rebates

Sector: Residential, Commercial
Measures: Compact fluorescent lamps
Mechanism: Rebates awarded to CFL manufacturers on a per unit basis to reduce the wholesale price of lamps, creating a "downstream" price reduction at the retail level
History: Residential CFB program piloted in 1991 and implemented full-scale in 1992; commercial CFL program piloted in 1993 and implemented full-scale in 1994; both programs cancelled in 1995

RESIDENTIAL PROGRAM DATA (1992-1994)

Total annual savings: 101,057 MWh
 Total cumulative savings: 202,114 MWh
 Total lifecycle savings: 656,871 MWh
 Total peak capacity savings: 1,531 kW
 Total cost: \$10,108,834

COMMERCIAL PROGRAM DATA (1993-1994)

Total Annual Savings: 118,979 MWh
 Total Cumulative Savings: 237,958 MWh
 Total lifecycle savings: 773,365 MWh
 Total peak capacity savings: 34,760 kW
 Total cost: \$4,316,595

The Results Center produced 126 profiles of the most successful energy efficiency and renewable energy programs in the United States and around the world in the early and mid 1990s. With the support of the John D. and Catherine T. MacArthur Foundation, Ted Flanigan directed a research team at Colorado-based IRT Environment to produce and distribute these exceptional examples. Thanks to strong demand for solid case studies, The Results Center was supported by dozens of major utilities and energy associations worldwide. Today, The Results Center is managed again by Ted Flanigan, now at California-based EcoMotion Incorporated, a firm focused on strategic consulting, information dissemination, program design, outreach services, and aggressive implementation. To nominate highly successful programs, contact: The Results Center, c/o EcoMotion, 15375 Barranca Parkway, F-104, Irvine, CA 92618, (949) 450-7155, or TFlanigan@EcoMotion.us

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