MIDWEST MARKET TRANSFORMATION COLLABORATIVE

Opportunity Brief

COMMERCIAL FOOD SERVICE

Commercial food service equipment consists of a variety of end use products that use both gas and electric. This opportunity brief describes the potential for a commercial food service (CFS) market transformation initiative, focused on accelerating the adoption of high efficiency gas and electric CFS equipment. The goal is to advance federal CFS efficiency standards and transform stocking practices towards high efficiency CFS equipment.

FUEL SOURCE

≤$30,000

ESTIMATED COST FOR BUSINESS PLAN

505 GWH/year

58MM therms/year

ESTIMATED SAVINGS POTENTIAL

STATE, REGIONAL AND NATIONAL COLLABORATION OPPORTUNITY

TBD

CURRENT MIDWEST MARKET PENETRATION

Nicor Gas, ComEd, Peoples & North Shore Gas, CenterPoint

INTERESTED FUNDING UTILITIES

JOIN THE BUSINESS PLAN WORKING GROUP

Contact Kegan Daugherty at kdaugherty@resource-innovations.com or 708-277-3251

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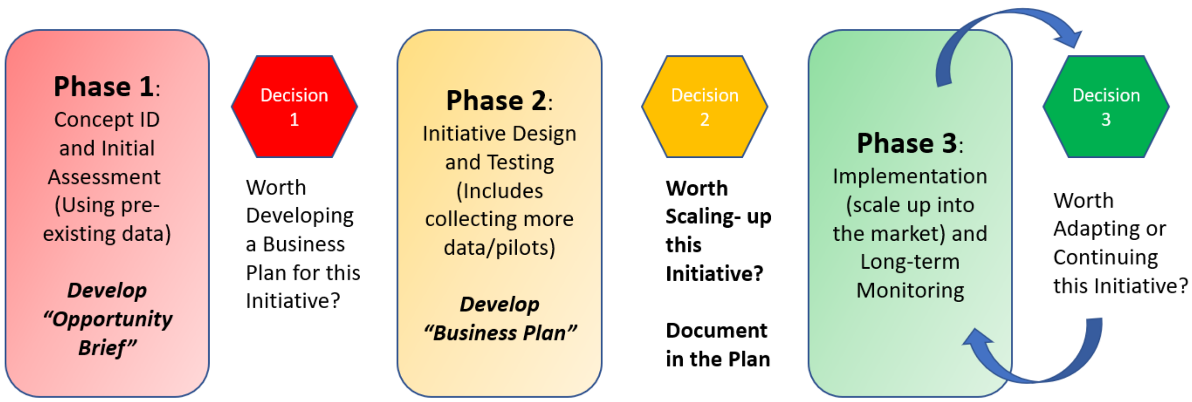
MEEA MIDWEST ENERGY EFFICIENCY ALLIANCE

Market Transformation Opportunity Brief: Commercial Food Service (CFS)

Purpose of the Opportunity Brief: This Opportunity Brief presents initial ideas and data based on pre-existing information to describe potential market transformation initiatives. It serves as the document by which a decision can be made to move to Phase 2 in the "MT Initiative Review Process" (depicted below). During Phase 2 more research or piloting can occur and a Business Plan is developed.

MT Initiative Development Process



Initiative Description

Commercial food service (CFS) energy efficiency programs target food service facilities through the adoption of high efficiency gas and electric food service equipment. This initiative opportunity proposes to focus outreach and education up the supply chain to the regional and national distributors and manufacturers. The existing CFS participants are part of a complex and fragmented market, with many companies that build, distribute, promote, sell, install, and service commercial and non-commercial food service equipment. Manufacturers often sell direct to large purchasers, such as national chains, while local distributor or dealer networks service most of the smaller entities. Individually owned and operated stores also purchase refurbished kitchen equipment from local refurbishment dealers.

- *Target markets:* Retrofits of: National franchised restaurant chains, independent restaurants, institutional facilities that serve food, any location that utilizes CFS equipment.
- *Market situation:* Manufacturers produce efficient and standard equipment for various CFS equipment types, though demand drives the stocking practices at the distributor and dealer networks. Some national franchises contract with Kitchen Equipment Suppliers to ensure consistency among all locations, which often have centralized purchasing processes that dictate make and models for all locations. Local refurbishment dealers extend the lifecycle of standard kitchen equipment, due to the purchasing behaviors of independent restaurants. There is an opportunity to transform the stocking practices and awareness of high-

efficiency kitchen equipment through engagement with the distributors and equipment dealer networks.

- *MT long-term vision:* Installation of efficient CFS equipment becomes standard practice for national franchises, regional restaurants, and institutional facilities. Stocking practices for local/regional dealers shifts to efficient products. Manufacturers shift production lines to high-efficiency products over standard.
- *MT savings:* Potential savings are moderate, depending on the success of the multiple products this initiative could target. More accurate savings estimates to be developed during business plan.

Hypothesis on leverage points

A strategic engagement and education program for initiative, focused on regional distributors with significant market share, will allow the Midwest to leverage adjusting stocking practices away from standard kitchen equipment to high-efficiency kitchen equipment through a midstream or upstream approach. Reducing the first cost of new high-efficiency equipment at the time of sale removes the barrier of cost to the customer and increases the availability of efficient equipment on the shelves, ready to be purchased and installed that day. Additional leverage points are listed below.

Barriers:

The CFS market is complex, fragmented market, with limited demand from participants, and unorganized supply side momentum to push efficient products across the various product categories. Any proposed business plan needs to coordinate with manufacturers, distributors, kitchen equipment suppliers, and food service consultants address the following barriers:

- Significant used equipment resale market
- High first cost for new high-efficiency equipment
- Independent owners/operators are hard-to-reach customers
- Large, fragmented market
- Consumer misperceptions about high-efficiency equipment not as reliable compared to existing standard equipment, and concerns regarding variance in production capacity between high-efficiency equipment and standard equipment
- Large enterprises where disconnect between installation location and decision makers, as well as disconnect between energy consumption entity and entity who pays utility bill

Leverage points:

- National franchise restaurants have significant market share
- Targeting regional and national distributors with significant market share
- Equipment standards organizations: ENERGY STAR, others?
- Manufacturers making efficient equipment

Key outcomes desired:

- Reduction in first cost
- National high-efficiency product specifications
- Standard kitchen designs include new high-efficiency products

Key activities/interventions proposed

- Influence manufacturers to increase high-efficiency product availability in the Midwest through distributor and sales channels
- Educate and train food service design consultants, service agents, and independent manufacturer's sales representatives on the benefits of high-efficiency CFS equipment, proper installation, and barriers to overcome information gap from purchaser
- Support and influence regional/state/national kitchen equipment standards advancement
- Continue utility upstream/midstream program support for qualified products and installation

Hypothesis on any lasting impacts

- Change in national kitchen equipment specifications and standards (ENERGY STAR)
- Shift in manufacturing focus towards high-efficiency equipment
- Stocking practice shift away from standard equipment to high-efficiency equipment

Estimate on IL budget for 2019, 2020 and 2021

- TBD for Nicor, ComEd, and Peoples/North Shore Gas, and others

Determining savings potential from net market effects by 2025:

- TBD for Nicor, ComEd, Peoples/North Shore Gas, and others – dependent on final design and implementation