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TASK 25: Business model strategies for a more effective market uptake of energy services for and by SMEs and communities

**IEA DSM Exco Bergen Norway April 2018
Task status report Phase 1
New work: Phase 2**

Phase 1, concluded end of 2017

✓ Concluding approved at The Hague Exco meeting 2017

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ELSEVIER

User-centred sustainable business model design: The case of energy efficiency services in the Netherlands

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Highlights

- User-centred design does not imply that user invol... design only.

- In all phases (design, marketing and use) a similar ... identified.

- Four types of involvement occur: sending, receiving... innovating.

- User involvement requires broad business model fa... components.

- Direct interactions led to more radical insights for bu...

Abstract

The capability to both anticipate user needs and incorporate them into a firm's value proposition is considered as an important stepping stone towards more effective and sustainable business models. However, many firms struggle to involve the user in their business model design process. Therefore we have investigated what user-centred approaches to more sustainable business model design exist in practice and how they impact the market uptake of energy efficiency measures. Nine semi-structured interviews

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Business models for energy efficiency services: User centeredness, capabilities and context

Abstract

Energy Efficiency Services (EES) are considered the most promising solution to increase energy efficiency. Providing services shifts the focus from standard technology provision to creating value for users by fulfilling functions such as saving energy, creating control and improving health or other values. Unfortunate... ... delivering them are struggling to rema... ... of business models. Taking stock of th... ... EES can be analysed from three perspect... ...hey require, and the strategies to deal v... ...n various European countries. We re... ...g degrees of user-... ...on the insights from ... ...et uptake of EES.

...es, users, contextual

...potential for energy savings will remain ... implement energy efficiency, the actual ...ny argue that a solution to this lack of ...Efficiency Services (EES) (Kindström,

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DSM Spotlight

The Newsletter of the International Energy Agency Demand-Side Management Programme

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PENDING REVIEW

The Role of Climate Finance to Enhance Demand-Side Management in Developing Countries

Status of the Paris Agreement

In 2015, 195 parties adopted the Paris Agreement to limit global temperature rises in the 21st century to "well-below" 2°C above pre-industrial levels, with 91% of the parties (178) signing the agreement in April 2016 and the remaining 9% of the parties (17) signing later in 2016 (United Nations Framework Convention on Climate Change (UNFCCC), 2017). Two additional parties (Nicaragua and the Syrian Arab Republic) adopted the Paris Agreement in October and November 2017 respectively, and one party (USA) provided notification of its intention to leave the agreement in August 2017 (though no party can officially announce an intention to withdraw

until November 2019). As of February 2018, 174 parties had ratified the Paris Agreement, leaving 23 parties (<12%) yet to ratify it (UNFCCC, 2017).

A key part of the Paris Agreement is to make "finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development" (UNFCCC, 2015). This includes a commitment to achieve at least US $100 billion per year of climate finance flows from developed countries to developing countries by 2020 for climate change mitigation and adaptation activities (UNFCCC, 2015). Another important part of the Paris Agreement is the commitment for developed countries to provide capacity building support to

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Member Countries

Austria | Belgium | Finland | India | Ireland
Italy | Netherlands | New Zealand | Norway | South Korea
Spain | Sweden | Switzerland | United Kingdom | United States

Sponsors

EfficiencyOne | European Copper Institute | Regulatory Assistance Project

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Task 25

New Business Models Needed For New Energy Services

In 2014 the IEA DSM Programme started DSM Task 25, a research project on new business models for energy efficiency services. This Task is now part of a growing body of research aimed at understanding what is causing the apparent lack of market uptake of Energy Efficiency.

The key question

The key question guiding this work was, what if more user centered and service oriented business models and energy services were more effective in delivering energy efficiency than the many rather technocratic and technology push approach type of business models? A second question was, do specific entrepreneur and service providers capabilities that allow for a focus on the customer perspective and tailoring of their services contribute to a more effective uptake of the product and service? While answering these two questions, Task participants are also investigated if a better alignment of the business

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Phase 2

- ✓ 1 Management
- ✓ 2: Investigation of business models on the following energy services
- ✓ 3: Identifying necessary system innovation and role of context players
- ✓ 4: Engaging, training, disseminating to entrepreneurs, policymakers and academia

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Subtask 2- deepening understanding

✓ Broadening the scope/Increasing our comparison of business models and services

- ✓ demand response and flexibility services
- ✓ data driven services
- ✓ Sustainable business models including circular services, where energy efficiency is the multiple benefit.
- ✓ New actor driven peer2peer services (cVPP, energy communities)

✓ Understanding match between model and sectors + further develop strategies and sector match

✓ Develop archetypical user journeys for different services

✓ Further develop the user centered/service businessmodel canvas for the energy sector

How: In-depth case study research, interviews, workshops, reports, design thinking methodologies, working with other projects (DRBoB, cVPP) and TCPs such as 4E EDNA, ISGAN annex 4 (academy)and 8 (policy insights)!

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Subtask 3- Tackling system inertia

- Role of agencies, governments, DSOs and other context players in *market design*:
  - stimulating market uptake of energy services, especially for smaller companies
  - tackling system innovation failure with respect to services and focus on user phase
  - Focus on role of intermediaries
  - Facilitate dialogue amongst stakeholders
  - Increase understanding of servitisation process in energy sector
  - Analysis of policy instruments and how they drive or hinder the specific services investigated

How: policy instrument analysis, other institutional structures, Interviews, workshops, reports, policy briefs

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Subtask 4- Training, engaging, disseminating

- ✓ Set up 'training' for and with entrepreneurs and policymakers and other context players such as DSOs
- ✓ Continuation of the tool Fittoserve: when do you know your company has the wrong business model?
- ✓ + when do you know if your support measure is product or service oriented?
- ✓ Organise user centered business modelling interventions with selected services
- ✓ MOOC-DSMU (conditional on participation of platform designers such as ECI/Leonardo Academy)
- ✓ All the 'standard' communication: conferences, journal papers

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Deliverables

✓ D7:
  - ✓ business model strategies for each investigated sector,
  - ✓ comparative analysis across countries
  - ✓ user journeys
  - ✓ new canvas

✓ D8:
  - ✓ Overview of different types of policy and institutional support available to the different types of business models
  - ✓ Country context and sector context sensitive
  - ✓ Recommendations for alternatives
  - ✓ Including set up of dialogue workshop with context players on necessary system innovation and roles

✓ D9: Training road show+ tool

✓ D10: Outreach and dissemination material

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We can start!

- ✓ Budget is 40k total for two years, 20k annually
- ✓ Task sharing with experts: +/- 240 hours
- ✓ Ruth Mourik and Renske Bouwknegt OAs

- ✓ Participating countries: Australia, Netherlands, Sweden
  - ✓ Norway and Korea Exco would like to participate but no budget
  - ✓ Italy?
  - ✓ In contact with others, exploring..e.g Belgium

- ✓ Start planned for May 1st

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Matters for the exco

- ✓ Approve task status report
- ✓ Approve phase 2 plan and start May 1st
- ✓ Participation of other countries?
- ✓ Approve participation of Italy under conditions
- ✓ Number: 25 phase 2 or 28?

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Thank you!

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