

TAKE THE EXCESS PROFIT OUT OF HEAT PUMP INSTALLATIONS

Heat pumps are an essential tool in the fight against the climate crisis. Having one in your home can mean the difference between life and death during extreme temperatures. Yet too many British Columbians are unable to afford them.

The Nanaimo Climate Action Hub wants to ensure that heat pumps are available to everyone, thereby reducing energy consumption, combating climate change, and making homes more comfortable in both summer and winter. With this in mind we surveyed 227 Nanaimo and area residents ([results summary here](#)).

The survey tells us that:

- 86.7% of respondents who do not have a heat pump in their home have considered installing one.
- 50.4% of these respondents said that cost is the reason they do not have a heat pump.
- 70% say they are aware of government grants and rebates; 20% say they need more information on these programs.
- In February 2022, CleanBC increased available Heat Pump rebates. According to survey respondents who have a heat pump, the overall average cost of installing a heat pump before February 2022 was \$8,173.85, while the overall average cost after February 2022 was \$11,352.59 - a 39.18% increase.
- The average cost of installing a heat pump with one indoor head was \$6,281 before February 2022. It was \$7,580 after that date - an increase of 20.79%.

Why is the cost so high?

Rebate conditions and the high demand for heat pumps, combined with a shortage of approved installers, mean there is little incentive for companies to keep their prices affordable.

One installer (whose estimate compares favourably with others) explained that he charges according to what he calls the “50/50 Rule”. An \$8000 supply and install charge for a heat pump consists of:

- (a) An installation charge of 50% of the total, or \$4000.
- (b) The retail price of the equipment is \$4000. Of this, 50% is the wholesale price, and 50% is the retailer’s (installer’s) markup. The installation charge has nothing to do with the work done on the job. When the wholesale cost of the equipment is \$3000, the retail price is \$6000, and the Installation charge is \$6000, bringing the total to \$12,000. In addition to causing excess

installation charges, this creates an obvious incentive to install more expensive equipment than might be required to meet the needs of the particular home.

The Supply and Install Requirement

Homeowners who wish to take advantage of provincial heat pump support programs are required to have a CleanBC listed contractor **supply and install** the equipment. This reduces competition, prevents the homeowner from purchasing from another retailer and hiring an installer at an hourly or flat rate. It leads to excessive pricing, and prevents many otherwise qualified people from accessing the CleanBC rebates.

Hidden Pricing

Most CleanBC listed installers refuse to provide a detailed estimate when quoting on a heat pump installation.

Consumer Protection BC, the private company that answers calls about the Business Practices and Consumer Protection Act for the BC Government, says: “The parts of the Act you have referenced only apply to contracts that you have entered, and provide you with cancellation rights if they are non-compliant. As we do not license and regulate this business sector, we cannot tell them how to write their contracts and provide estimates”.

So a consumer will need to enter into a contract, the terms of which are hidden, and then attempt to cancel it if the contractor still refuses to provide details. If details are provided before the contract is cancelled, the consumer has accepted the contract and is stuck with it, good or bad.

For a consumer to determine if a quote is reasonable that quote must include itemized pricing.

All itemized pricing should:

- (a) Describe the goods or services to be provided;
- (b) Describe the quantity of the goods or services to be provided;
- (c) State the price to be charged for each good or service to be provided, with supply and install listed as two items, not one;
- (d) Specify any additional charges that may be payable by the consumer

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In the case of heat pumps, it should also include:

- (a) The exact make and model
- (b) Its Heating Season Performance Factor (HSPF)
- (c) Its Seasonal Energy Efficiency Ratio (SEER) ratings.
- (d) The actual warranty time frame and what it covers.

Solutions

1. Adopt the Prince Edward Island method. In PEI a qualified consumer who wishes to convert to a heat pump makes an application to the provincial government. The government assigns the job to a contractor. Once the job is done, the government pays the contractor.
2. Make it easy for nonprofits to adopt the Gabriola Island model, more than 950 not-for-profit heat pumps have been installed in the past thirteen years. Encourage not-for-profit installers by giving them access to the CleanBC rebates. Use CleanBC staff to inspect the installation, if necessary, to ensure the job was done correctly. (See below)
3. Establish a Crown Corporation to obtain and install heat pumps in homes throughout the province, or require BC Housing to establish a division to do this
4. Fix the inflationary flaw in the current CleanBC heat pump process by eliminating the requirement that a heat pump be supplied and installed by someone from an approved list of contractors.
5. Require installers to provide a fully itemized estimates in order to obtain CleanBC rebate..

The Gabriola Heat Pump Experience

Nine hundred and fifty (and counting) non-profit heat pumps installed.

The program got underway in 2010 when a resident became convinced that he wanted one of the relatively new ductless heat pumps, and thought he might get a better price if he ordered several at once. He asked around the community and got a total of 12 names. He approached a wholesaler in Nanaimo and asked what kind of a deal he could get. The wholesaler said that if he opened an account he could purchase the units wholesale, roughly half what a regular dealer charges. A few days later he had 12 units to pick up and install. By then he had figured out how to install them, and he passed that info on to local residents, who each did their own installation, paying a local refrigerator technician \$125 to do the final hookup. All 12 units worked just fine, and electric heat bills went down around 30% the next winter.

Other people saw the 12 units in operation, and started asking if they could get a similar deal. Shortly after that another 12 units were brought onto the island. Word spread quickly and pretty soon another 12 units were ordered . . . and so on until around #50 when an installation team was put together.

Today the team consists of:

Use bullet points

- * A coordinator (volunteer), who does the ordering, paying of the wholesaler, picking up and delivery of the units, instructing the purchaser how to use/maintain the hp, answering questions and trouble calls, diagnosing problems, and getting repairs organized (including returning parts under warranty and getting new ones);

- * Another volunteer, who answers enquiries, takes orders, answers questions, and keeps track of names, addresses, serial no's, etc in a database.

- *A third volunteer - a retired accountant who makes up and prints the invoices;

* A mechanical contractor who puts the units in place, an electrician who makes the 220 VAC connections, and the refrigeration tech who does the hookups. The purchaser deals with these people on a 1:1 basis.

Note 1: At some point a Nanaimo installer complained to the wholesale distributor about “unfair competition”. To appease the complainant, the non-profit agreed to limit its activity to Gabriola Island.

Note 2: Ductless Heat Pump systems are now available in easy to install DIY configurations which do not require the services of a refrigeration technician.

Note 3: The Gabriola group applied for membership in the Home Performance Contractors Network so that people using their services could take advantage of CleanBC rebates. Their application was declined because they are not-for-profit.