

A Gross and Net Savings Framework for Policymakers

Teresa R. Lutz, Michaels Energy, Madison, WI

Elizabeth Titus, Northeastern Energy Efficiency Partnerships, Lexington, MA

Background and Motivation

The decisions made regarding gross and net savings affects a number of State Energy Efficiency (EE) policies such as setting energy efficiency resource standards (EERS), decoupling of revenues, calculation of lost margins (lost revenues), and financial incentives tied to EE accomplishments. **Regulators want to ensure ratepayers' monies are spent efficiently**, i.e., that the EE programs are contributing to net impacts that would not have occurred if the program had not been offered, and that the value of these net impacts exceed the program costs. And, Program Administrators are concerned about how the estimation and use of gross savings and net savings might impact their ability to manage EE programs to meet savings goals and other performance objectives.

To provide a framework for policymakers to think through gross and net savings policy decisions, the Northeastern Energy Efficiency Partnerships (NEEP) EM&V Forum's *Gross and Net Savings Principles and Guidance* was developed. This framework can be used or adapted to help stakeholders assess gross and net savings issues in the context of overall EE policy decisions. The NEEP EM&V Forum development of these principles and guidance was motivated by three issues: 1) lack of consistency in the definitions and measurement of gross and net savings factors in the Northeast; 2) expanded use of energy savings by diverse audiences, particularly with applications to climate change policies; and 3) increasing challenges of determining energy savings due to program interventions.

The Six Guiding Principles

The *Gross and Net Savings Principles and Guidance* provides six guiding principles (outlined below) to assist policymakers as they consider how best to assess and apply gross and net savings within the context of their overall EE policy framework, regulatory requirements, goals, and objectives. An eight-step template is also provided to serve as decision-making documentation.

The Six Guiding Principles

Principle #1: Establish a common understanding

Principle #2: Align methods and use with policies

Principle #3: Address the value of information from evaluation

Principle #4: Apply the concept of symmetry

Principle #5: Ensure transparency

Principle #6: Acknowledge that there will be multiple views across stakeholders