Definitions and Treatment of Net and Gross Savings in Energy and Environmental Policy
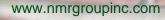
2012 Annual Public Meeting

NEEP Regional Evaluation, Measurement and Verification Forum

December 12, 2012

Greg Clendenning

www.nmrgroupinc.com

Research Objectives

- (1) Research on net and gross savings definitions

  – How gross and net savings are defined and applied in the evaluations of 3 types of programs

- (2) Catalogue and characterize treatment of energy savings estimates in the policies of various entities in the Northeast

Conclusion 1: Definitions of Gross and Net Savings

- Evidence that the region is converging on definitions of gross and net savings consistent with:

  – NEEP Glossary of Terms

  – State and Local Energy Efficiency Action Network (SEE Action)'s in its Model Impact Evaluation Guide.

Recommendation 1: Definitions of Gross and Net Savings

- Adopt definitions proposed by SEE Action:
  - **Gross savings:** "*The change in energy consumption and/or demand that results directly from program-related actions taken by participants in an efficiency program, regardless of why they participated*."
  - **Net savings:** *"The change in energy consumption and/or demand that is attributable to a particular energy-efficiency program.*

Time Period of Savings

- **Projected savings:** commonly referred to as *ex ante* savings
- **Claimed savings**: include Program Administrator (PA) adjustments for data errors and current tracking data
  - Commonly referred to as adjusted gross savings, *ex post* savings or tracked savings
- **Evaluated savings**: evaluations conducted by a third party evaluator to document and further adjust savings estimates
  - Commonly referred to as *ex post* or *ex post evaluated* savings

Conclusion 2: Use of Net and Gross Savings

- Use of net and gross savings in energy efficiency forecasts differ for:
  - System planning
  - Air quality planning
  - RGGI forecasting purposes
- Forecasting approaches and methods differ

Recommendation 2

- Increase the consistency, understanding and transparency of:
  - Forecasting approaches
  - Underlying application of net or gross savings,
- Better coordinate energy efficiency forecasts

NMR
Group, Inc.

Conclusion 3: State energy savings goals and metrics vary substantially

- *Recommendation 3:*
  - Support state efforts to develop strong, technically sound energy savings goals
  - Clearly document and communicate goals,
  - Encourage consistency in savings metrics
    - i.e., annual savings goals and lifetime savings goals
  - Savings metrics should be clearly labeled to increase clarity and transparency

Conclusion 4: Many current energy-efficiency programs are multi-faceted and multi-year programs intended to bring about changes at the market level.

- *Recommendation 4:* Investigate and explore the specific situations in which market-level net savings estimation might be appropriate and outline the implications of any such approach.

Conclusion 5: Venue for Technical Discussion

- Currently, no venue for a technical discussion that cuts across the range of issues and stakeholders

- The Regional EM&V Forum can serve in this unique role to bring parties together.

Recommendation 5: Venue for Technical Discussion

- NEEP should facilitate a series of technical sessions / workshops with representatives from:
  - Energy-efficiency community
  - Air regulators
  - ISO/RTO system forecasters
- Discuss use of consistent definitions for net and gross savings
- Explore how to incorporate net savings, gross savings and naturally occurring energy efficiency into planning for various policy needs.
- Recruit a committee to develop guidance and recommendations

NMR
Group, Inc.