

Media Release
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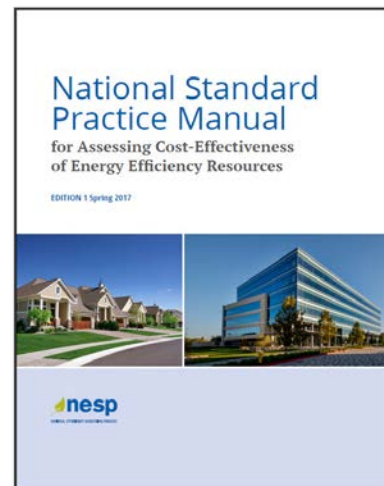
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First-ever comprehensive *National Standard Practice Manual* is updated guidebook for energy efficiency cost-benefit analysis

May 18, 2017 – The first-ever comprehensive national guide for utility-funded energy efficiency programs is now available to help utilities, regulators and other interested stakeholders make the best possible energy efficiency decisions for their jurisdictions.

The National Standard Practice Manual (NSPM) presents a comprehensive framework and key principles for cost-effectiveness assessment of energy efficiency resources, with broader applicability to other energy and distributed resources. It is an updated decision-making tool that applies to electric and gas utilities and jurisdictions where energy efficiency programs are funded by – and implemented on behalf of – electric or gas utility customers.

The NSPM was developed via the National Efficiency Screening Project (NESP), a broad group of national organizations and experts originally coordinated by the Home Performance Coalition and currently coordinated by the nonprofit E4TheFuture.



“The National Standard Practice Manual provides neutral and objective guidance that incorporates lessons learned across the country over the past 20 years,” said Steve Cowell, president of E4TheFuture. “It responds to current needs and addresses relevant policies and goals of each jurisdiction undertaking efficiency investments.”

Why this new manual?

In the 1980s, California Public Utilities Commission staff developed the California Standard Practice Manual (CaSPM) to guide investor-owned utilities in assessing the cost-effectiveness of ratepayer-funded energy efficiency investments. Last updated in 2001, the CaSPM has served as the prevailing guidance. But commonly used tests in the CaSPM have been applied inconsistently. Further, as the energy industry evolves, jurisdictions are looking to broaden their cost-effectiveness frameworks to consider integrated distributed energy resources. The NSPM is a first step to helping jurisdictions evolve their practices.

“The new NSPM is a robust and updated tool,” Cowell said. “It is based on sound economic principles and a clear and transparent framework, and it provides guidance on foundational cost-effectiveness analysis topics.”

Developed by subject experts, with input from a review committee representing a broad range of stakeholders, the NSPM builds and expands upon the decades-old CaSPM with current experience and best practices. The new manual adds:

- **Universal Principles** for cost-effectiveness assessments;
- A step-by-step **Resource Value Framework** for jurisdictions to develop their primary cost-effectiveness test – the **Resource Value Test** – which addresses the evolving utility system, the deployment of distributed energy resources, and a range of applicable policy goals and issues that affect cost-effectiveness testing; and
- **Foundational information** on the inputs and considerations associated with selecting the appropriate costs and benefits to include in a cost-effectiveness test, accounting for applicable hard-to-monetize costs and benefits, and featuring guidance on a wide range of fundamental aspects of cost-effectiveness analyses.

Highlights of the NSPM include:

1. The foundational principle that a jurisdiction should articulate applicable policy goals when developing its primary cost-effectiveness test;
2. A framework for a jurisdiction to develop *its own specific test(s)* rather than using a set of pre-defined, prescriptive tests;
3. Information on efficiency resource costs and benefits, and how to treat relevant impacts when developing a cost-effectiveness test;
4. Guidance on how to account for hard-to-quantify costs and benefits; and
5. Suggested ways to develop inputs for cost-effectiveness tests, e.g., discount rates, early replacement of measures, free-riders, and spillover.

The NSPM describes the principles, concepts, and methodologies for comprehensive and balanced assessment of the cost-effectiveness of energy efficiency resources. It can help parties identify the full range of efficiency resources whose benefits exceed their costs. Decision-makers can then more easily decide which resources to acquire to meet specific objectives, standards, or targets.

The NESP recognizes the authors and review committee for developing and informing this important and timely guidance document. See <https://nationalefficiencyscreening.org/> to download the NSPM and other supporting materials.

About the National Efficiency Screening Project

The NESP joins organizations and individuals who seek to improve how utility customer-funded electricity and natural gas energy efficiency resources are screened for cost-effectiveness. NESP is a stakeholder organization open to all interested parties willing to work collaboratively toward better cost-effectiveness testing, which will help enable decision-makers to determine which efficiency resources are in the public interest and what level of investment in these resources is appropriate.

About E4TheFuture

E4TheFuture is a 501c3 nonprofit organization which collaborates with stakeholders to provide expert policy solutions, education, and advocacy to advance clean energy and energy efficiency solutions on the federal, state and local level.