



NEW COMPREHENSIVE “NATIONAL STANDARD PRACTICE MANUAL” FOR UTILITY ENERGY EFFICIENCY PROGRAM ASSESSMENT

The first-ever comprehensive national guide for utility-funded energy efficiency programs, called the National Standard Practice Manual (NSPM), is now available to assist utilities, regulators, and other interested parties in making the best possible energy efficiency decisions for their jurisdictions.

The NSPM was developed by the National Efficiency Screening Project (NESP), which encompasses a broad group of over 75 national organizations and experts formerly coordinated by the Home Performance Coalition, and now coordinated by the nonprofit E4TheFuture.

The NSPM provides a comprehensive framework and key principles for the cost-effective assessment of energy efficiency resources, with broader applicability to other energy and distributed resources. It applies to electric and gas utilities, as well as jurisdictions where energy efficiency programs are funded by, and implemented on behalf of, electric or gas utility customers.

“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.”

The NSPM is an outgrowth of the California Standard Practice Manual (CaSPM), which was developed in the 1980s by the California Public Utilities Commission as a way to guide investor-owned utilities in assessing the cost effectiveness of ratepayer-funded energy efficiency investments.

According to the NESP, the NSPM was created as a way to improve on the CaSPM in three ways. First, the CaSPM is relatively

outdated, having last been updated in 2001. Second, the commonly-used tests in the CaSPM have been applied inconsistently. Third, as the energy industry evolves, jurisdictions are looking to broaden their cost-effectiveness frameworks to consider integrated distributed energy resources. “The NSPM is the first step to helping jurisdictions evolve their practices,” said the NESP in a press release.

“The new NSPM is a robust and updated tool,” said Cowell. “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 that represents a broad range of stakeholders, the NSPM builds on and expands the CaSPM with current experience and best practices.

It includes:

- 1 - Universal Principles for cost-effectiveness assessments.**
- 2 - A step-by-step Resource Value Framework for jurisdictions to develop their primary cost-effectiveness test, which is called the Resource Value Test. This Test 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.**
- 3 - Foundational Information on the inputs and considerations that are 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 or tests, rather than using a set of predefined, 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.
- 5 - Suggested ways to develop inputs for cost-effectiveness tests (e.g.: discount rates, early replacement of measures, free riders, and spillovers).

For more information on the NESP, and/or to download the free 146-page NSPM document, go to <https://nationalefficiencyscreening.org>.



About the Author

Phil Carroll, Vice President of the Energy Group for Finley Engineering, has been involved in the electric utility industry for the past 31 years. Managing multi-million dollar projects around the country, Carroll has been responsible for the design of distribution and transmission lines, material specifications, contract administration, final acceptance, and close-outs. He is also a registered Professional Engineer in several states. **For more information, you can contact Phil at p.carroll@FinleyUSA.com.**