



# **INCOME ELIGIBLE NET-TO-GROSS AND THE IL-NTG METHODS**

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# WHAT ARE THE IL-NTG METHODS?

The Illinois Statewide Net-to-Gross Methodologies (“IL-NTG Methods”) is Attachment A to the IL-TRM (housed in Volume 4 of the IL-TRM).

**The IL-NTG Methods describe the net-to-gross methodologies that the IL evaluators use to estimate NTG for various program types.**

The IL-NTG Working Group develops the IL-NTG Methods and submits them to SAG for review and feedback. The IL-NTG Working Group largely consists of evaluators but any interested party may participate.

Issues occurred in the past where different utility evaluators used different NTG methodologies for the same program type and the NTG results for the different utilities varied drastically. It wasn’t clear to stakeholders whether the differences were real or if they were just due to methodology differences.

The ICC directed the development of the IL-NTG Methods in ICC Docket Nos. 13-0495, 13-0498, 13-0499, 13-0549, and 13-0550 (2013 EE Plan filings).

Per the ICC Orders, the purpose of the IL-NTG Methods is to:

- ❖ Establish consistent statewide net-to-gross **methodologies** for use by the IL evaluators.
  - ❖ Improve efficiency in the evaluation process.
  - ❖ Ensure programs across the state as delivered by the various Program Administrators can be meaningfully and consistently evaluated.
  - ❖ Ensure consistency in the evaluation of program performance.
- ❖ Compile the most justifiable and well-vetted **methodologies**.

# WHAT IS THE NET-TO-GROSS POLICY?

The Net-to-Gross Policy is set forth in Section 7.2 of the Illinois Energy Efficiency Policy Manual.

The Net-to-Gross Policy describes a SAG process whereby **deemed NTG values** are developed for the upcoming program year.

## Summary of Key Points of the Net-to-Gross Policy

- ❖ Sept. 1 – Evaluators recommend **deemed** NTG values to SAG.
- ❖ SAG meetings held in September to provide the SAG with an opportunity to question, challenge and suggest modifications to the evaluators recommended **deemed** NTG values.
- ❖ SAG participants, including Evaluators, shall make best efforts to reach consensus regarding NTG Ratios appropriate for **deeming** for the upcoming Program Year that are *representative of the best estimates of future actual NTG Ratio values likely to occur* for the upcoming Program Year.
- ❖ If the SAG reaches consensus regarding an appropriate NTG Ratio to **deem** prior to October 1, then SAG's consensus NTG Ratio shall be deemed.
- ❖ If the SAG cannot reach consensus on an appropriate NTG Ratio value to **deem**, then the Evaluators' final recommended deemed NTG Ratio shall be **deemed**. In developing the Evaluators' final recommended **deemed** NTG Ratio, Evaluators shall review SAG feedback, take into account all comments and discussions, with the intent of making their *best estimate of future actual NTG Ratio values* for the upcoming Program Year.
- ❖ October 1 – Evaluators report final **deemed** NTG values.

# WHAT IS THE KEY DIFFERENCE BETWEEN THE IL-NTG METHODS AND THE NET-TO-GROSS POLICY?

Per ICC Orders, the IL-NTG Methods are intended to specify net-to-gross evaluation **methodologies** for use by the Illinois evaluators.

Per the ICC-adopted IL EE Policy Manual's Net-to-Gross Policy, **deemed** NTG ratios are supposed to be determined through an annual SAG process that occurs every September.

**Conclusion:** Deemed NTG ratios really should not be included in the IL-NTG Methods attachment to the IL-TRM as that document was intended to specify NTG methodologies, not deemed NTG ratios. Instead, deemed NTG ratios are to be specified through the annual SAG process that occurs every September, as the Policy Manual requires.

# WHAT DOES THE IL-NTG METHODS STATE WITH RESPECT TO INCOME ELIGIBLE PROGRAMS?

| 2018 IL-TRM Version 6.0  | 2019 IL-TRM Version 7.0  | Proposals for 2020 IL-TRM Version 8.0  |
|--|--|--|
| <p>† The Uniform Methods Project notes that “most low-income programs are not subject to NTG analysis (that is, are deemed at 1.0).” In line with that common practice, there is general consensus among Illinois stakeholders that the Illinois low-income programs should not be subject to NTG analysis and thus the NTG ratios for low-income programs are effectively deemed at 1.0. See Violette and Rathbun (2014), Chapter 23: Estimating Net Savings: Common Practices. The Uniform Methods Project: Methods for Determining Energy Efficiency Savings for Specific Measures, available electronically at <a href="http://www.nrel.gov/docs/fy14osti/62678.pdf">http://www.nrel.gov/docs/fy14osti/62678.pdf</a>, p. 50.</p> | <p>† There has been general consensus among Illinois stakeholders that the NTG value for Income Eligible programs is not likely to be significantly different from 1.0, particularly where the person making the participation decision is the Income Eligible resident. Until SAG establishes a different policy, the NTG value will be deemed at 1.0. Discussions will be held with SAG members on the value in and methods for performing such research and the timing of the application of such research.</p> | <p><u>ICC Staff Original Proposal:</u><br/>           † There has been general consensus among Illinois stakeholders that the NTG value for Income Eligible programs is not likely to be significantly different from 1.0, particularly where the person making the participation decision is the Income Eligible resident. Until SAG establishes a different policy, the NTG value will be deemed at 1.0 <u>for all Income Eligible programs except for Income Eligible Lighting Discounts (i.e., upstream lighting programs) because evidence in Illinois has shown the NTG for Income Eligible Lighting Discounts to be much lower than 1.0.</u> Discussions will be held with SAG members on the value in and methods for performing such research and the timing of the application of such research.</p> <p><u>Navigant (Jeff Erickson) Proposal:</u><br/>           † The evaluation teams should determine which protocol should be used to research NTG for these programs if they conclude that there is value in performing the research.</p> <p><b><u>ICC Staff Revised Proposal:</u></b><br/> <b>† The evaluation teams should determine which protocol should be used to research NTG for these programs if <u>the SAG concludes that there is value in performing the research.</u> <u>Discussions will be held with SAG members on the value in and methods for performing such research, as needed.</u></b></p> |

# KEY CONCERN

There is no evidence that  $NTG=1$  for income eligible upstream lighting programs.

There is Illinois evidence that NTG is much lower than 1 for income eligible customers participating in upstream lighting programs.

❖ **The language concerning income eligible programs in the IL-NTG Methods should not prevent the evaluators and stakeholders from reaching consensus on their “best estimate of future actual NTG Ratio values” for income eligible upstream lighting programs, that may differ from 1, as part of the Net-to-Gross Policy and SAG process that occurs in September.**

**Accordingly, the IL-NTG Methods language regarding deeming NTG at 1 for income eligible programs needs to be removed. Deeming of NTG should be determined via the annual September SAG process that is specified in the Net-to-Gross Policy in the Policy Manual.**

# IL RESULTS FOR INCOME QUALIFIED CUSTOMERS OF COMED'S UPSTREAM LIGHTING PROGRAMS

**Of all income qualified customers surveyed through in-store intercepts (n=79), the NTG ratio for upstream LED lighting was estimated at 0.60.\***

- \*Caveats (Amy Buege, Itron, to explain):
- 1- NTG is over reflective of demo periods (which generally boosts NTG);
- 2- Over representative of big box IE stores and under representative of DIY IE stores.

Putting aside the 2 caveats, the methodology used to estimate NTG for these income qualified customers is consistent with the methodology outlined in the IL-NTG Methods for upstream lighting programs, and this methodology has been approved by the Commission since the IL-TRMv4.0 (2015). Further, this approved NTG methodology has been used in the ComEd evaluation for the upstream lighting program for nearly a decade (since the 2009/2010 EPY2 evaluation).

Regardless of whether you believe these results, the merits of these results and the potential applicability to future program years should be determined during the September SAG process regarding deeming NTG ratios, as outlined in the Net-to-Gross Policy in the Policy Manual.

# OTHER CONSIDERATIONS

- ❖ ComEd did not assume a  $NTG=1$  for its Income Eligible Lighting Discounts Program in its 2017 Plan filing. In fact, ComEd assumed a  $NTG$  of  $\sim 0.59$  for the Income Eligible Lighting Discounts Program in its Plan filing (see Docket 17-0312, ComEd Ex. 1.0, p. 107). This  $NTG$  value (0.59) is nearly identical to the  $NTG$  estimated for income qualified customers as part of the CY2018 evaluation (0.60).
- ❖ For the gas utilities next Plans, gas utilities will have adjustable savings goals in relation to  $NTG$  and specifically they will have a zero  $NTG$  collar for income eligible programs, meaning they are insulated from any  $NTG$  change for income eligible programs during that Plan.





**QUESTIONS? ALTERNATIVE PROPOSALS?**



# APPENDIX: CY2018 NTGR RESULTS FOR COMED'S UPSTREAM LIGHTING PROGRAMS\*

| LED Type     | Store Type      | n   | Free-Ridership | Part Spillover | Nonpart Spillover | NTGR |
|--------------|-----------------|-----|----------------|----------------|-------------------|------|
| IE Store     | Income Qual     | 22  | 0.38           | 0.02           | 0.05              | 0.69 |
|              | Non-Income Qual | 43  | 0.52           | 0.02           | 0.05              | 0.55 |
| Non-IE Store | Income Qual     | 57  | 0.50           | 0.02           | 0.05              | 0.57 |
|              | Non-Income Qual | 250 | 0.58           | 0.02           | 0.05              | 0.49 |

| Program Store Type | Income Qualified? | n   | Free-Ridership | Part Spillover | Nonpart Spillover | NTGR |
|--------------------|-------------------|-----|----------------|----------------|-------------------|------|
| All                | Income Qual       | 79  | 0.47           | 0.02           | 0.05              | 0.60 |
|                    | Non-Income Qual   | 293 | 0.57           | 0.02           | 0.05              | 0.50 |

\*Caveats (Amy Buege, Itron, to explain):  
 1- NTG is over reflective of demo periods (which generally boosts NTG).  
 2- Over representative of big box IE stores and under representative of DIY IE stores.  
 3- Dropped those who didn't report income.