

The National Standard Practice Manual (NSPM)

Why the development of the NSPM?

Traditional cost-effectiveness tests often do not capture or address pertinent state policies.

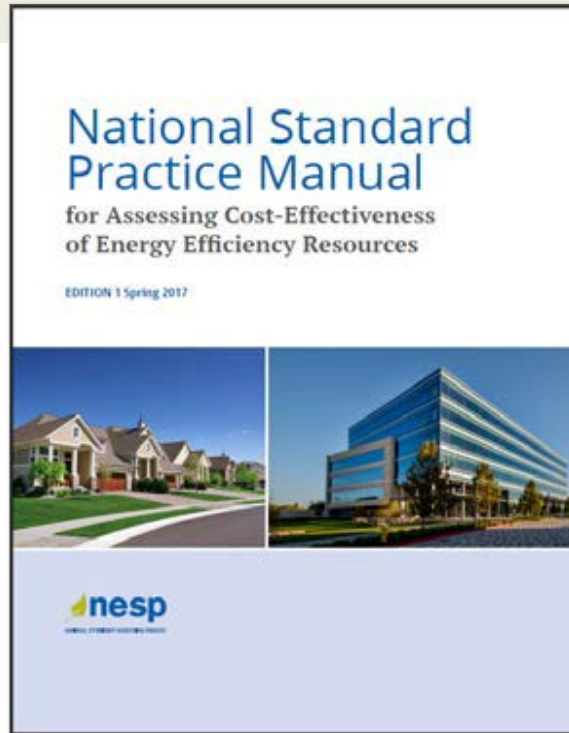
The traditional tests are often modified by states in an ad-hoc manner, without clear principles or guidelines.

Efficiency is not accurately valued in many jurisdictions.

There is often a lack of transparency on why tests are chosen and how they are applied.

About the National Efficiency Screening Project (NESP): NESP is a stakeholder organization and is open to all organizations and individuals with an interest in working collaboratively to improve cost-effectiveness screening practices.

NSPM for EE – May 2017



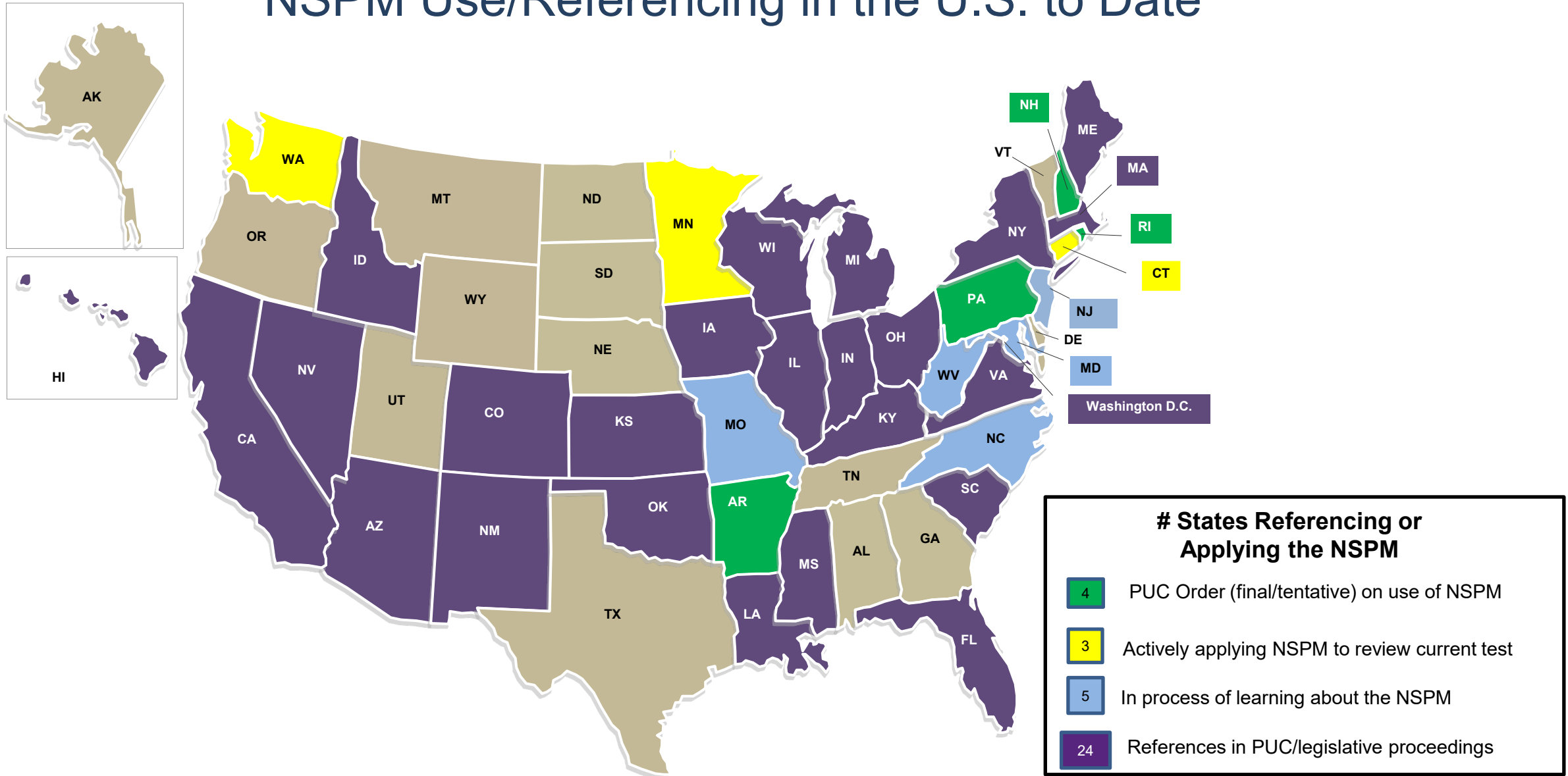
<https://nationalefficiencyscreening.org/national-standard-practice-manual/>

NSPM for DERs (Forthcoming July 2020)

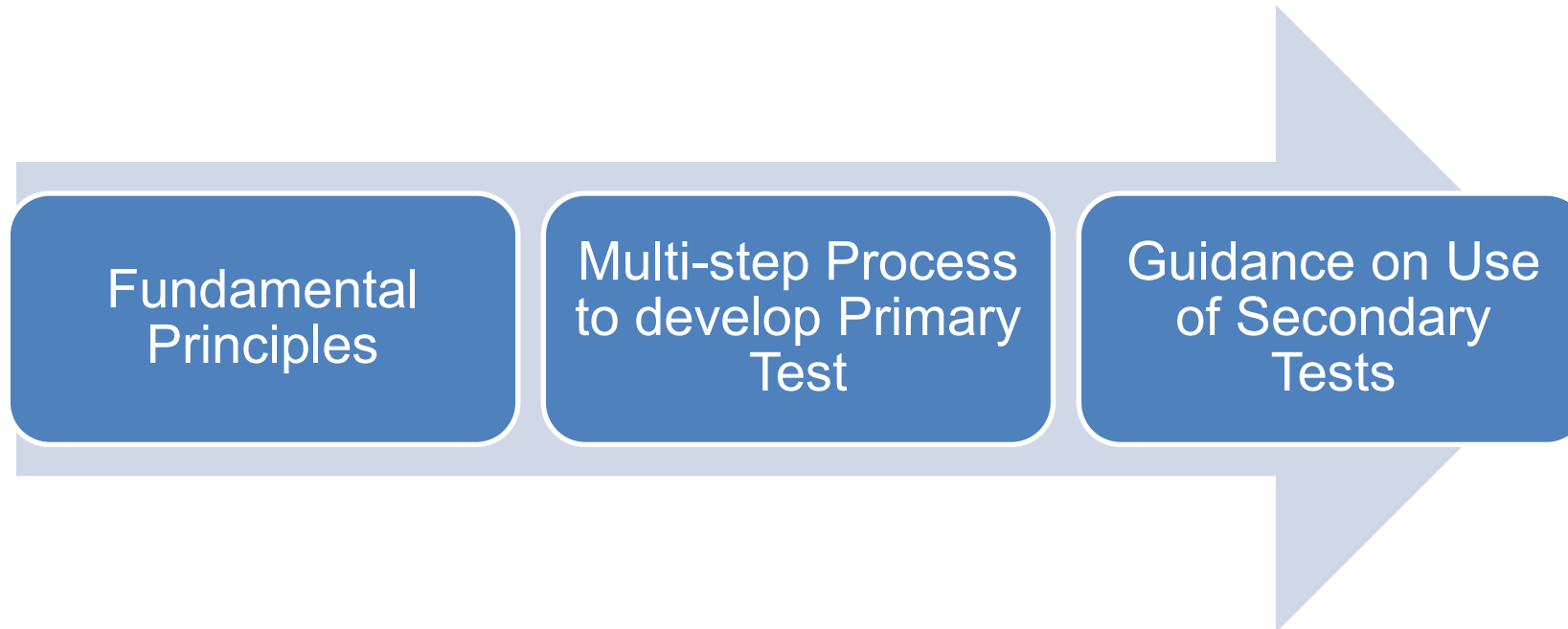
Will incorporate NSPM for EE plus cover DR, DG, DS and electrification (e.g., HVAC, EVs). Scope covers:

1. Single-DER analysis: one type of DER is assessed relative to a fixed/static set of alternative resources.
2. Multiple-DER analysis: DERs are assessed and optimized relative to a fixed set of alternative resources.
3. Integrated-DER analysis: all electric resources, both distributed and utility-scale, are optimized.

NSPM Use/Referencing in the U.S. to Date



NSPM Benefit-Cost Analysis Framework*



*Reflects evolution of Framework from the 2017 NSPM for EE based on current drafting of the NSPM for DERs (forthcoming July 2020)

NSPM Principles

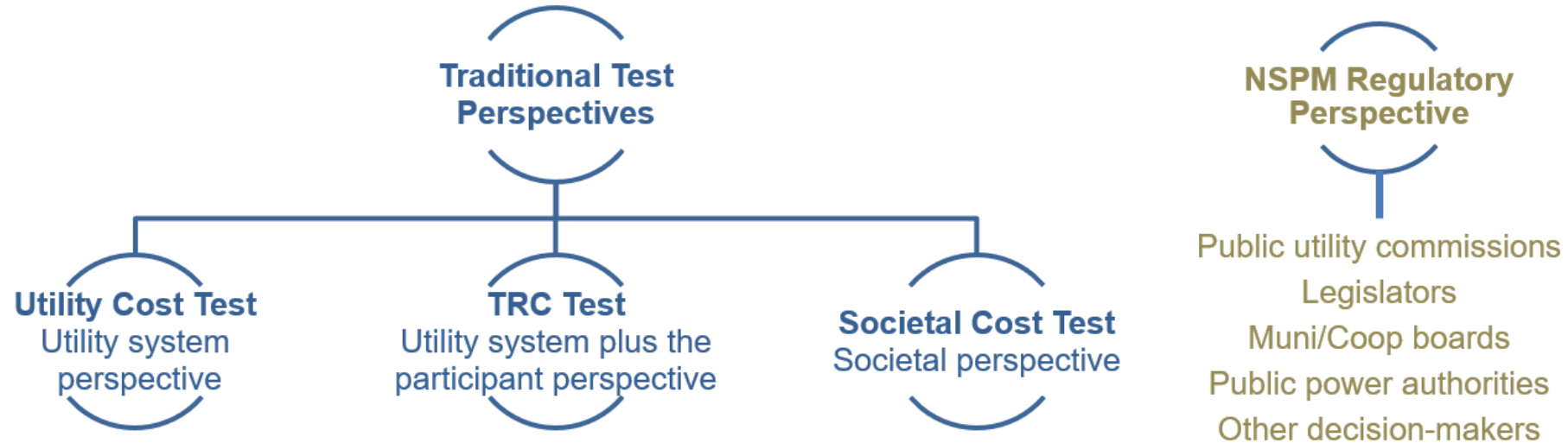
1. Recognize that EE and other DERs **are utility resources**, (and treat **consistently** for benefit-cost analyses).
2. Align primary test with **applicable policy goals**.
3. Ensure **symmetry** across costs and benefits
4. Account for all **relevant, material impacts** (based on applicable policies), even if hard to quantify.
5. Conduct a **forward-looking, long-term analysis** that captures incremental impacts of the DER investment.
6. **Avoid double-counting** through clearly defined impacts.*
7. Ensure **transparency** in presenting the analysis and the results.
8. Conduct BCA **separate from** Rate Impact Analyses as they answer different questions.*

** New principles proposed for NSPM for DERs*

Multi-Step Process for Developing a Primary Test, and Use of Secondary Tests

1. NSPM provides a multi-step process to guide development of **jurisdiction's primary test** – in alignment with the NSPM Principles
2. **Primary Test** answers question: *Which resources have benefits that exceed costs and therefore merit utility acquisition or support on behalf of their customers?*
3. **Secondary Tests** can be used to:
 - Inform decisions on how to prioritize DERs
 - Inform decisions regarding marginally cost-effective resources
 - Promote consistency across multiple DER types

Cost-Effectiveness Testing Perspectives



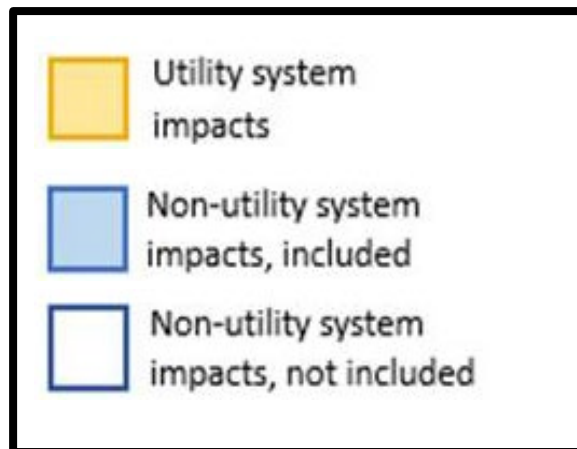
- California Standard Practice Manual – test perspectives are used to define the scope of impacts to include in the ‘traditional’ cost-effectiveness tests
- NSPM focuses on the **‘regulatory’ perspective**, which is guided by the jurisdiction’s energy and other applicable policy goals
- A jurisdiction that applies the NSPM may develop a primary test (or modify its existing test) where the new/revised test may differ from or align with any one of the traditional tests, *depending on its applicable policies*

Jurisdiction Specific Test (JST)

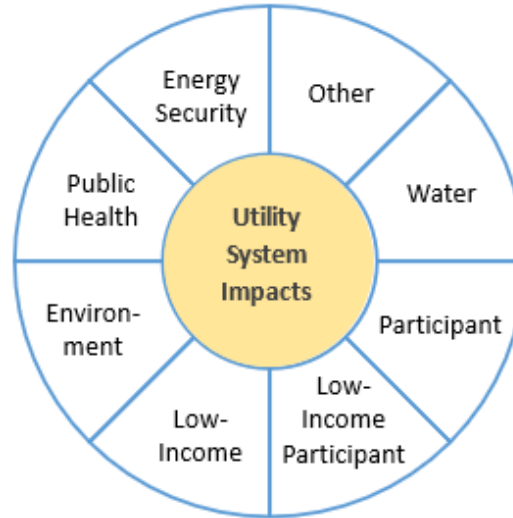
Developed Using the NSPM

A jurisdiction's primary test may align with a traditional CE test or be unique to the jurisdiction, depending on its applicable policies/goals.

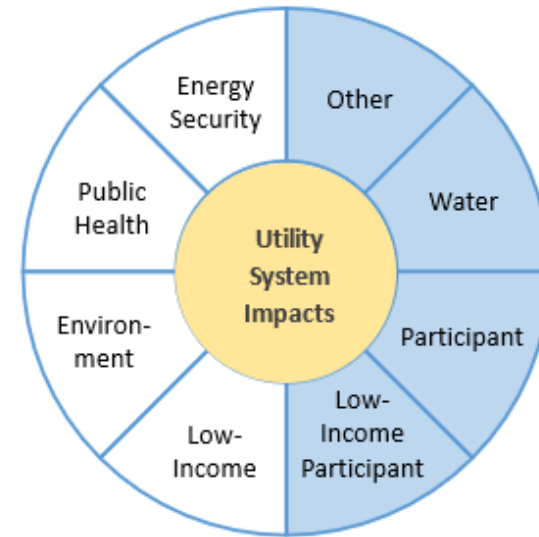
(In all cases, full range of Utility System Impacts should be included)



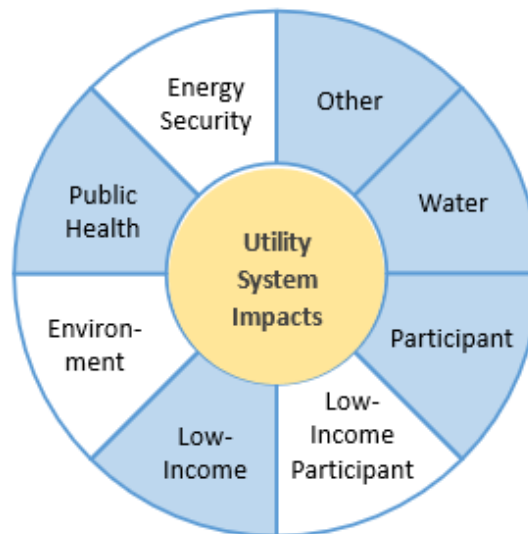
JST can = UCT/PACT



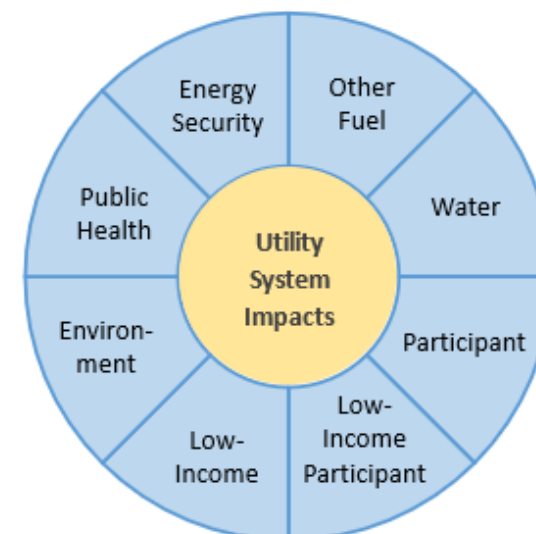
JST can = TRC Test



JST ≠ any traditional CE test



JST can = SCT



For More Info...

Stay informed with the *NSPM Quarterly* Newsletter:

<https://nationalefficiencyscreening.org/national-standard-practice-manual/news/>

**To download the NSPM for EE, Overview of NSPM for DERs,
and other Resources, visit:**

<http://www.nationalefficiencyscreening.org/>

Questions? Email NSPM@nationalefficiencyscreening.org