

Introduction to Net-to-Gross (NTG) for Disadvantaged Areas Policy

- ▶ IL EE Policy Manual Version 3.0 was approved by the ICC in December 2023
 - ❖ The SAG Policy Manual Subcommittee developed Version 3.0 through a process that began in June 2022
 - ❖ See [Illinois Energy Efficiency Policy Manual Version 3.0 \(Final\)](#) and [Summary of Final 2023 Policy Updates \(Excel\)](#)
- ▶ A new policy was added that established a 100% (1.0) NTG ratio for certain types of customers in economically-disadvantaged areas of Illinois
 - ❖ NTG ratio means a factor representing net savings divided by gross savings that is applied to gross impacts to convert them into net impacts
 - ❖ NTG ratios are produced annually by independent evaluators for Illinois utilities, with review and consensus by interested SAG participants
- ▶ Policy Rationale
 - ❖ The participation rate for smaller customers in economically-disadvantaged areas has historically been much lower than for similar customers in communities that are not as economically challenged

Policy Language

Policy Manual Version 3.0, Section 7.4, NTG Ratio for Disadvantaged Areas

Free ridership for certain types of Customers in economically-disadvantaged areas is highly likely to be very low. That assumption is supported by data indicating that the participation rate for smaller Customers in economically-disadvantaged areas has historically been much lower than for similar Customers in communities that are not as economically challenged. To reflect that reality, the net to gross (NTG) ratio for such customers will be set to one-hundred percent (100%). This will have the added advantage of creating greater incentives for Program Administrators to target delivery of their Energy Efficiency programs to economically disadvantaged areas.

The economically-disadvantaged areas designated by this policy* are:

- i. Areas identified as “income-eligible households” by Illinois Solar for All (“disadvantaged neighborhood”); and
- ii. The entire area of certain municipalities where at least fifty percent (50%) of the municipality is identified as income-eligible through Illinois Solar for All** (“disadvantaged municipality”).

The policy will apply to all Program activity involving the following Customer segments within disadvantaged areas:

- i. Residential Customers in disadvantaged neighborhoods; and
- ii. Business Customers in disadvantaged neighborhoods with rate class designations or energy consumption levels below annual thresholds in the table below.

Policy Language (cont.)

Policy Manual Version 3.0, Section 7.4, NTG Ratio for Disadvantaged Areas

Program Administrator	Criteria for Eligibility (either/or)	
	Rate Class	Annual Consumption Threshold
Ameren Illinois	Electric: DS-2 (<150 kW) Gas: GDS-2 (<200 therms/day in any month)	Electric: <750,000 kWh/year Gas: <35,000 therms/year
ComEd	Small Load Delivery Class (<100 kW)	<750,000 kWh/year
Nicor Gas	N/A	<35,000 therms/year
Peoples Gas and North Shore Gas	N/A	<35,000 therms/year

For projects jointly delivered by a gas and electric utility, eligibility for either the electric or gas thresholds in the table above would trigger the application of a one-hundred percent (100%) percent NTG ratio for both fuel savings.

- iii. Any general delivery service municipal, public school and local government customers in a disadvantaged municipality

Policy Language (cont.)

Policy Manual Version 3.0, Section 7.4, NTG Ratio for Disadvantaged Areas

It is expected that, though Customers in disadvantaged areas are currently underrepresented in evaluation research due to lower participation levels, going forward, this policy will require that research to establish NTG ratios for Program activity explicitly sample Customers in non-disadvantaged areas. Any NTG research targeting Customers in disadvantaged areas will fall under Section 7.3 of the Policy Manual.

This policy is applicable beginning with the 2023 Program Year.

Policy Footnotes:

*Program Implementation Contractors and Evaluators may convert from the two (2) geographies listed (census tracts and municipal boundaries) to zip code tabulation areas for operational purposes (especially with program ally driven initiatives). The method for used for this conversion should comply with industry standards. See <https://www.huduser.gov/portal/periodicals/cityscpe/vol20num2/ch16.pdf> for more information on this type of conversion.

**See <https://www.illinoissfa.com/programs/non-profit-and-public-facilities/> for more information and an interactive map identifying these communities.