IL EE Stakeholder Advisory Group (SAG)
Request for Comments on NTG Ratio for Disadvantaged Areas Policy Interpretation Issue
June 9, 2026

Comment Instructions

- Using this template, send written comments to the SAG Facilitator, Celia Johnson: Celia@CeliaJohnsonConsulting.com **by Friday, June 26, 2026**, answering the following question: *Should the location of a Trade Ally in a utility's service territory be considered when applying the NTG for Disadvantaged Areas policy?*
- Include "SAG Policy Feedback" in the subject line of the email.

Background Information

- **December 2025 Large Group SAG Meeting:** Questions were raised about how Illinois evaluators are interpreting the Net-to-Gross (NTG) for Disadvantaged Areas Policy (from Section 7.4 of the Illinois Energy Efficiency Policy Manual[1]).
- **Utility EE Plan Presentations in Early 2026:** Several stakeholders requested further discussion / understanding of how the policy is being applied.
- **Interpretation by Illinois Evaluators:** Guidehouse (current evaluator for ComEd, Nicor Gas, Peoples Gas & North Shore Gas) and E Source (current evaluator for Ameren Illinois) are interpreting the policy application differently. The two evaluators differ on whether the location of a Trade Ally should be considered when applying the policy.
- **ICC Staff Request:** ICC Staff requested the SAG discuss this policy issue, with an opportunity for stakeholder input.
- **Monday, June 8 Large Group SAG Meeting Presentations, posted on the June 8 meeting page:**
    - SAG Facilitator Presentation: Introduction to NTG for Disadvantaged Areas Policy Discussion
    - E Source Presentation: Consideration of Trade Ally Location in Application of the NTGR for Disadvantaged Areas Policy for Ameren Illinois
    - Guidehouse Presentation: Disadvantaged Areas Policy Approach (for ComEd, Nicor Gas, Peoples Gas and North Shore Gas)

Next Steps

- All comments will be posted on the SAG website and circulated to SAG.
- If needed, a follow-up discussion with interested parties will be scheduled.
- The goal is to document the interpretation and post it on the Policy page of the SAG website. If policy clarification(s) are needed, those can be proposed during the 2027 comprehensive Policy Manual update process.

[1] Illinois Energy Efficiency Policy Manual Version 3.1 (effective January 1, 2026)

Comments Submitted By
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Question: Should the location of a Trade Ally in a utility's service territory be considered when applying the NTG for Disadvantaged Areas policy?

Response:

No. The only possible exception would be when the trade ally installing a measure is located in the targeted geographic areas and the address of the customers served by such trade ally is unknown. However, this possible exception should be allowed only if a utility's efficiency programs, including midstream programs, are making every reasonable effort to collect the actual customer addresses at which measures are being installed. In no event should the deemed Net-to-Gross (NTG) of 1.0 be applied when it is known that the customer receiving the efficiency measure is located outside disadvantaged areas (even if the contractor installing the measure is located within such areas).

The Policy Manual's stipulation of a NTG of 1.0 in disadvantaged areas is predicated on the expectation that smaller customers – both residential customers and small business customers – in such areas are very unlikely to be free riders. Indeed, most of the introductory paragraph to this issue in the Policy Manual (section 7.4) – the paragraph that lays out the rationale for the policy – is focused on making this point. See this excerpt:

> "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…To reflect that reality, the net to gross (NTG) ratio for such ***customers*** will be set to…100%" (emphasis added).

The language explaining the rationale is all about where ***customers*** are located – not the business address of the contractors serving them.

Some parties to the discussion of this issue have pointed to the last sentence of the opening paragraph stating that a 1.0 NTG "…will have the added advantage of creating greater incentives…to target delivery of…programs to economically disadvantaged areas." However, that is clearly stated as an "added advantage" – in essence, a side benefit – rather the primary purpose.

Some parties to the discussion of this issue have also pointed to language stating that the "policy will apply to ***all Program activity involving the following Customer segments*** within disadvantaged areas" (emphasis added), with small business customers being one of the two referenced segments, suggesting that implies the NTG should apply to efficiency measures installed by such businesses, even if the installations are for customers outside disadvantaged areas. We disagree. The reference to customer segments covered by the policy should be read to mean residential and small businesses in disadvantaged areas that ***receive*** measures (not in those of who install them). We say this for several reasons. First, as noted above, the primary purpose of the policy is to address the likelihood that customers in disadvantaged areas that receive efficiency measures are likely to be free riders. The same is not true for a wealthy customer residing outside such areas that just happens to buy a measure from a contractor with a business address within such areas. Second, nothing in the policy specifically references contractors located in disadvantaged areas. If all their installations were intended to be covered, regardless of where their customers are located, the policy would have made that clear. Third, the application of the NTG of 1.0 was limited to smaller customers, again precisely because the expectation of low free ridership was not expected to apply to very large customers. If the policy was intended to cover installations of measures from businesses located in disadvantaged areas, regardless of the location of the customers they are serving, it would have included measures installed by such businesses in larger commercial and industrial facilities. Finally, as an active party to the development of the policy language on this issue, we want to note that at no time in the discussion of this topic was it ever suggested that the policy was intended to cover efficiency measure installations for customers outside of the targeted areas (even when installed by businesses with locations inside such areas).

Finally, it is important to emphasize that the purpose of NTG assumptions is to provide the best estimate of the energy efficiency savings that a utility's efficiency programs are actually producing. As noted above, the rationale for the policy of applying a NTG of 1.0 to disadvantaged areas is because efficiency measure installations in such areas are expected to have very low free ridership. Again, that argument does not apply to installations in non- disadvantaged areas by contractors whose businesses are located in disadvantaged areas.