

## **D9. ENVIRONMENTAL PERFORMANCE MEASUREMENT**

Utilities use environmental performance measurement (EPM) for internal management, external communication, and benchmarking. The utility industry faces the combined challenges of deregulation, slower demand growth, and stringent environmental regulation. Utilities are exploring how to achieve competitive advantage while considering the concerns of all stakeholders: shareholders, ratepayers, regulators, and communities. One important way to pursue this complex goal is to improve the environmental performance of existing resources.

The objectives of the project is to develop a generic EPM framework that supports development of a tailored EPM process for each utility in accordance with emerging best practice and standards. Researchers designed a four-part, three-stage framework for development of an environmental performance measurement process. They conducted pilot applications of the framework at two utility companies and applications workshops at two additional utility companies to assess and verify the applicability and usefulness of the framework as well as its compatibility with existing practices. Finally, they revised the framework to incorporate the results of the applications.

The report presents a framework for developing and implementing EPM process. The framework consists of four major components: a conceptual model and guidelines for EPM process development, generic models to support the selection of environmental performance indicators, a structured catalog of environmental performance indicator and associated metrics, and a set of methods for selecting and analyzing high-priority metrics. The model for EPM process development has three stages: organizing the design effort, identifying a set of candidate indicators, and prioritizing the indicators and defining the metrics.

Utilities have found that performance measurement is increasingly important for internal management, external communication, and benchmarking. They are realizing that environmental issues can offer opportunities for competitive advantage, and they are beginning to incorporate their environmental strategies into their business strategies.

*For more, "Environmental Performance Measurement," EPRI TR-106078, Final Report, January 1996.*