

WTP - Northmore Gordon

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WTP

WTP stands for Willingness to Pay, as defined on the Northmore Gordon glossary page. This economic concept represents the maximum price or value a customer or organisation is prepared to pay for a good, service, or energy improvement. In energy project contexts, understanding WTP is relevant when evaluating investment cases and determining whether proposed equipment upgrades or efficiency measures align with budget constraints and financial expectations. WTP helps distinguish technical feasibility from commercial viability when assessing energy opportunities.

Related guidance

Government schemes

Certificate services

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Measurement and verification

What does WTP stand for?

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How long does it take to read the WTP glossary entry?

The estimated reading time for the WTP glossary entry is 1 minute. This brief reference supports quick consultation during project discussions or decision-making processes where willingness-to-pay considerations affect equipment selection, upgrade timing or funding strategy. The glossary format allows project teams to maintain consistent terminology and understanding across energy assessments and investment-case development.

Why is willingness to pay relevant in energy project investment decisions?

Willingness to pay is a critical factor when evaluating whether an identified energy-saving opportunity can proceed to implementation. During the investment-case development stage, understanding what capital an organisation can or will commit helps determine which opportunities are commercially viable. This connects technical feasibility (whether equipment can achieve the required performance) with financial reality. Our six-stage delivery approach includes the Build the Case stage, where investment cases incorporate financial assessments and opportunity estimates to justify capital expenditure

decisions and help management compare alternatives.

How does willingness to pay affect energy upgrade project scoping?

Willingness to pay influences which opportunities are prioritised and how projects are staged. When multiple energy-saving measures are identified in an audit, organisations typically rank them by payback, return on investment, and alignment with budget availability. A measure may be technically sound and financially attractive, but if the required capital exceeds willingness to pay, implementation may be deferred or scaled. Our investment-case methodology helps clarify this distinction by presenting cases with and without conditional support, ensuring management understands decisions and can identify factors affecting project outcomes.

Can willingness to pay change during a project assessment?

Yes, willingness to pay can shift due to changing business circumstances, updated budget allocations, or revised understanding of project benefits. When initiating an engagement, we recommend clearly identifying the decision owner and target date as part of the project brief. This allows the assessment to stay aligned with actual decision-making authority and financial constraints. Keeping the investment case updated with current assumptions—including revised capex or funding availability—ensures the analysis remains relevant throughout the Assess, Build the Case, and Capture Value stages of engagement.

What is the relationship between willingness to pay and certificate funding?

Environmental certificates and scheme incentives (such as Victorian Energy Upgrades or NSW Energy Savings Scheme certificates) can reduce the net capital required, potentially making a project feasible within an organisation's willingness to pay. However, we recommend preparing investment cases with and without conditional certificate funding. This approach clarifies which opportunities remain viable based on engineering and operating savings alone, versus those dependent on unconfirmed scheme eligibility or certificate proceeds. Certificate quantities and values should not be assumed until scheme requirements and commercial terms are verified.

How does the project brief process help clarify willingness to pay?

The project brief template asks organisations to state the business decision, target date and decision owner before assessment begins. These elements help establish realistic budget expectations and decision authority. The brief also identifies operational requirements and constraints, which inform feasibility and cost estimates. By clarifying willingness to pay upfront—distinguishing budget available from budget preferred—we can scope appropriate assessment depth and recommendations that align with genuine decision criteria rather than pursuing opportunities outside financial reach or decision authority.

Why should willingness to pay be documented separately from technical opportunity estimates?

Technical opportunity estimates (energy savings, equipment specifications, implementation costs) answer the question of what is possible. Willingness to pay answers the question of what the organisation will fund. Keeping these separate prevents confusion where a technically excellent and financially attractive opportunity still cannot proceed due to capital constraints. During the Assess and Build the Case stages, our approach recommends tracking capital cost, operating savings, certificate proceeds and outcomes separately, with willingness to pay helping determine which opportunities advance to implementation.