

POLICY NOTICE: EPA RECONGITION OF NATIONAL ENERGY STAR VERIFICATION OVERSIGHT ORGANIZATIONS

Through this Policy Notice, the Environmental Protection Agency (EPA) is issuing its decisions regarding the establishment of eligibility requirements, roles, and responsibilities for organizations that oversee entities that verify homes to meet ENERGY STAR guidelines, herein referred to as ENERGY STAR Verification Oversight Organizations (or VOOs).

With this Notice, EPA will accept applications for National ENERGY STAR Verification Oversight Organizations that meet the eligibility requirements, roles, and responsibilities described in the policy below. EPA cannot recognize regional or local Verification Oversight Organizations at this time, but will revisit this option in three years. However, Hawaii and Alaska are two exceptions. EPA will work with local program sponsors to develop appropriate ENERGY STAR Verification Oversight Organizations in these states.

It should be noted that EPA's recognition of ENERGY STAR Verification Oversight Organizations relates solely and specifically to the ENERGY STAR for New Homes program. This recognition does not qualify the organization to implement or participate in other programs (e.g., tax credit verification).

Background:

The hallmark of ENERGY STAR for New Homes Program is the requirement for independent, third-party verification of the energy performance of homes that earn the ENERGY STAR label. This verification is provided for site-built homes by a certified Home Energy Rater, Accredited HERS Provider, or more recently, a Builder Option Package (BOP) Provider, and may include the application of the sampling protocol.

EPA has historically relied on outside organizations to provide oversight of these verifiers. In the early days of the program, several oversight organizations existed – including the Residential Energy Services Network (RESNET) and the HERS Council. Over time, RESNET emerged as the single oversight organization for the industry. However, despite RESNET’s current status as the sole operating Verification Oversight Organization for the ENERGY STAR for New Homes program, EPA’s intent was never to provide an exclusive right to any one organization to provide this function.

EPA developed and requested comment on a set of proposed eligibility requirements, roles, and responsibilities that petitioners would be required to demonstrate to be recognized by EPA as an ENERGY STAR Verification Oversight Organization. EPA requested comments from the Home Energy Ratings industry, as well as other industry stakeholders, in November, 2007. EPA received over 100 comments on the proposal.

EPA’s decisions regarding the main areas in which comments were sought are presented in Part I below. EPA’s revised policy for recognition of ENERGY STAR Verification Oversight Organizations is provided in Part II and an application form for petitioning organizations is provided in Part III.

Part I: EPA Decisions on Major Comment Areas

Potential Adverse Effects on HERS Industry

Although EPA received a number of comments questioning the need and timing for EPA to recognize additional Verification Oversight Organizations, EPA cannot offer RESNET monopoly status as it relates to ENERGY STAR, and as a result, the Agency must offer the opportunity for other organizations to perform these functions. Further, EPA’s recognition of additional Verification Oversight

Organizations is consistent with prior Agency policy that allowed multiple organizations to perform this function concurrently (i.e., RESNET and the HERS Council).

A large number of commenters (76) also expressed concerns that allowing more than one Verification Oversight Organization would fracture the national home energy rating industry and that competing organizations would create differing standards that will create confusion. However, comments received from RESNET's Board of Directors stated that the organization "agrees that it does not have exclusive rights to serve as the sole verification oversight organization for the ENERGY STAR Homes Program, but asks that any national organization recognized by EPA have at least the same level of accreditation, certification, and quality assurance as RESNET." EPA believes that the requirements delineated in this Policy Notice address these concerns.

Lastly, EPA believes that the competition created by having more than one ENERGY STAR Verification Oversight Organizations may help support the growing infrastructure of verifiers and direct the most valued services to the ratings industry, as well as homeowners.

It should be clearly noted that EPA's recognition of ENERGY STAR Verification Oversight Organizations relates solely to oversight and quality assurance of verification organizations for the ENERGY STAR for New Homes Program, including certification of verifiers. Under this Policy Notice, RESNET maintains exclusive responsibility for managing the national Technical Standards, and protocols for software approval related to the verification of homes built to the ENERGY STAR specifications.

National Scope vs. Regional Oversight

A large majority of commenters stated support for EPA requiring ENERGY STAR Verification Oversight Organizations to be national, rather than regional; with many noting that a national organization would be better able provide EPA with input on procedures and help establish a national consensus concerning ENERGY STAR for New Home program policies, where a local or regional program may not be able to fill this role.

However, 25 respondents did express support the creation of regional Verification Oversight Organizations; noting that a regional approach would be appropriate due to the variation in building stock, techniques, and codes throughout the country. Furthermore, many felt that regional oversight organizations could provide better quality assurance and a clearer understanding of local needs. Three respondents also suggested that State Energy Offices would be uniquely qualified to function as ENERGY STAR Verification Oversight Organizations.

Beyond the comments received from stakeholders, EPA is also concerned that growing developments related to Climate Change science may initiate climate legislation, and consequently, regulations to limit greenhouse gas emissions. The Home Energy Rating industry needs to be unified and develop a consensus approach to be effective. A splintered group may be unable to provide meaningful input into the development of this legislation. Lastly, from an administrative perspective, EPA's current available resources will not allow the Agency to adequately review records of regional Verification Oversight Organizations at this time.

Based on the predominant comments received, and additional EPA's additional logistical and administrative concerns, EPA will accept applications for only National ENERGY STAR Verification Oversight Organizations. EPA will not recognize regional or local Verification Oversight Organizations at this time, but will revisit this option in three years. However, as detailed below, Hawaii and

Alaska are two exceptions. EPA will work with local program sponsors to develop an appropriate ENERGY STAR Verification Oversight Organization in these states.

Exceptions for Alaska and Hawaii

EPA believes that the physical distance of these two states from the mainland would make it difficult for Home Energy Raters and Providers operating in those locations to effectively participate in a national Verification Oversight Organization. Based on the impracticality of a national organization to provide oversight services, as well as the particular climates of these two states that may require unique approaches to residential energy efficiency, EPA will work with these states to develop alternative Verification Organization Oversight models that are appropriate for these programs in these locations.

Part II: EPA Policy on Recognition of National ENERGY STAR Verification Oversight Organizations

Note that EPA reserves the right to amend or modify the following policy as needed to ensure consumer and industry confidence in the value of the ENERGY STAR label for homes.

DEFINITION: An ENERGY STAR Verification Oversight Organization (VOO) is defined as a national, independent organization that oversees businesses, organizations, and individuals who verify homes to meet ENERGY STAR guidelines, either through a home energy rating or Builder Option Package.

To be eligible for recognition by EPA, a petitioning ENERGY STAR Verification Oversight Organization must demonstrate its intent for national and independent status by meeting the following requirements:

Demonstration of Impartial Governance

The petitioning ENERGY STAR Verification Oversight Organization:

- shall not directly qualify homes for the ENERGY STAR label nor an industry association that represents builders;
- shall be a 501(c) 3 not-for-profit corporation;
- shall maintain open membership policy for all ENERGY STAR verification organizations (subject to satisfaction of accreditation requirements);
- shall establish a governing Board of Directors or Executive Committee
 - Must be comprised of at least seven (7) members, representing accredited verification organizations, home energy experts, and/or other stakeholders;
 - At least 50% must be ENERGY STAR verification organizations affiliated with the Verification Oversight Organization.

Demonstration of National Scope

The petitioning ENERGY STAR Verification Oversight Organization shall demonstrate an ability to offer ENERGY STAR Verification Oversight services at a national level within three years of recognition by EPA. A formal Business Plan delineating specific planned goals, objectives, and key milestone dates to move the organization towards providing national oversight must be submitted to EPA with the initial application for recognition. Once recognized, ENERGY STAR Verification Oversight Organizations must submit to EPA an Annual Report summarizing activities to implement the organization's Business Plan or demonstrating existing ability to provide national oversight.

Ability to offer national ENERGY STAR Verification Oversight services can be demonstrated in a variety ways, including, but not limited to:

- Maintaining membership that includes ENERGY STAR verification organizations geographically distributed across the seven climate zones within the United States;
- Maintaining a board of Directors/Executive Committee that has technical expertise in conducting Home Energy Ratings across the seven climate zones within the United States;
- Conducting recruitment efforts at national Building Science conferences;
- Providing feedback as appropriate to EPA on national ENERGY STAR policy issues; and/or
- Complying with any other requirements that EPA may deem sufficient to demonstrate national scope.

EPA reserves the right to reject any application for recognition that the Agency believes is not submitted with a good faith intention of meeting the requirement to offer verification oversight services at the national level.

EPA also reserves the right to suspend or terminate recognition of an ENERGY STAR Verification Oversight Organization if it does not demonstrate substantive effort and progress towards achieving or maintaining a national scope of operations.

Demonstration of Policies and Procedures Governing Oversight of ENERGY STAR Verification Organizations

Petitioning ENERGY STAR Verification Oversight Organizations shall provide and attach documentation of comprehensive by-laws, governing policies, and procedures that meet the defined requirements through the formal adoption of specific RESNET policies and procedures and through development of new policies and procedures.

This accreditation program for verifiers, which shall be submitted as part of this application, shall include:

- Technical standards for verification procedures. These technical standards are specified by Chapter Three (including Appendix A) of the effective published edition of the Mortgage Industry National Home Energy Rating Standards, including any relevant formal interpretations of the standard by RESNET. The technical specifications for verification of Builder Option Packages are defined in Section 403.1.4, and Section 403.1.3.1 through 403.1.3.3 of the effective published edition of the Mortgage Industry Mortgage Industry National Home Energy Rating Standards. In addition, the technical standards for sampling are specified in section 601 through section 603 of the effective published edition of the Mortgage Industry Mortgage Industry National Home Energy Rating Standards.
- Software programs requirements according to RESNET Publication No. 05-001, November 17, 2005.

In addition, the accreditation procedures shall specify the following:

- A requirement that verifiers are certified through training and an examination that demonstrates mastery of skills and knowledge given in section 205.1 and Sections 403.1.1.1.1 through 403.1.1.1.9 of the effective published edition of the Mortgage Industry Mortgage Industry National Home Energy Rating Standards. There must be a requirement for recertification.
- A requirement for the identification of a Quality Assurance Officer for each verifier
- Quality control procedures for verifiers. This includes procedures for sampling, as well as Builder Option Packages
- Recordkeeping requirements for verifiers.

- Procedures to investigate the complaints, dismissal and appeals of verifiers
- A business code of ethics for verifiers
- A complaint resolution process for the verifier and the VOO.
- A requirement for field inspections of verified homes by the Quality Assurance officer
- A requirement that verifiers and BOP inspectors maintain a database of homes qualified as ENERGY STAR, and to report ENERGY STAR qualified homes to EPA
- Specific quality assurance steps that the VOO will undertake to ensure the quality of the verifiers work.

EPA will review these elements to ensure comparability to the RESNET requirements, but applicants are only required to adopt the RESNET technical standards and software requirements as part of their accreditation plan.

As an oversight organization, the VOO must also maintain a database and directory of accredited verifiers. In addition all oversight organizations shall submit an annual report to EPA that specifies the quality assurance steps that the VOO undertook the previous year to monitor the quality of the work.

Proposed Modifications to RESNET National Standards. EPA requires that petitioners demonstrate compliance with several RESNET Standards. However, EPA will consider modifications to the national Technical Standards to address climate-specific factors or regional standards that meet or exceed the national standards. If EPA believes this request has merit, EPA will bring these exemptions to the RESNET Technical standards committee to incorporate this request into the technical standards.

Submittals to EPA

Petitioning ENERGY STAR Verification Oversight Organizations shall submit to EPA:

- An Application for Recognition (provided in Section III of this Policy Notice)
- A formal Business Plan delineating specific planned goals, objectives, and key milestone dates to move the organization towards providing national oversight scope within three (3) years of EPA recognition.
- An accreditation program that presents the comprehensive by-laws, governing policies, and procedures verifiers will abide by under the VOO's oversight, as well as the VOO's quality assurance program
- A description of the certification and recertification process for verifiers. EPA may request that the petitioning VOO demonstrate how the test bank of certification questions address the skill sets outlined in section 205.1 and Sections 403.1.1.1.1 through 403.1.1.1.9 of the effective published edition of the Mortgage Industry Mortgage Industry National Home Energy Rating Standards
- An Annual Report summarizing activities to implement the organization's Business Plan and demonstrating ability to monitor the quality of verification of ENERGY STAR qualified homes by verifiers.

EPA reserves the right to reject any application for recognition that the Agency believes is not submitted with a good faith intention of meeting the requirement to offer verification oversight services at the national level.

EPA reserves the right to suspend or terminate recognition if the ENERGY STAR Verification Oversight Organization does not demonstrate substantive effort and progress towards achieving or maintaining a national scope of operations.

Part III: Application for EPA Recognition as an ENERGY STAR Verification Organization

This application shall be completed and submitted to EPA at:

ENERGY STAR Qualified Homes Team Leader
U.S. Environmental Protection Agency
ENERGY STAR for New Homes
1200 Pennsylvania Ave, NW
MC 6202J
Washington, DC 20460

EPA will confirm receipt of applications received within 5 business days and will post the petitioning organization's name and an application summary on the ENERGY STAR Web site (www.energystar.gov/homes). EPA will make a determination on the application and notify the petitioning organization within 20 business days.

EPA also reserves the right to amend or modify the requirements of this application as needed to ensure consumer and industry confidence in the value of the ENERGY STAR label for homes.

PART ONE: General Application

Organization Name: _____

Mailing Address: _____

Primary Contact: _____

Primary Contact Telephone #: _____

Primary Contact Fax #: _____

Primary Contact E-mail Address: _____

Organization Web Site Address: _____

PART TWO: Demonstration of Impartial Governance

- Attach documentation of 501(c) 3 not-for-profit corporation status from the legal jurisdiction governing start-up of the non-profit organization;
- Attach names, addresses, contact information for Board of Directors/Executive Committee
 - Must consist of at least seven (7) members, comprised of accredited verification organizations, home energy experts, and/or other stakeholders.
 - At least 50% of Board/Committee members must be ENERGY STAR verification organizations affiliated with the Verification Oversight Organization.

PART THREE: Demonstration of National Scope

- Attach a formal Business Plan delineating specific planned goals, objectives, and key milestone dates to move the organization towards providing national oversight scope within three years of EPA recognition; **or**
- Attach a current annual report for the organization documenting existing ability of organization to provide national oversight.

Once recognized, ENERGY STAR Verification Oversight Organizations shall submit an Annual Report to EPA summarizing activities to implement the Business Plan or provide documentation of ability to national oversight. **EPA reserves the right to suspend or terminate recognition if the ENERGY STAR Verification Oversight Organization does not demonstrate substantive effort and progress towards achieving or maintaining a national scope of operations.**

The organization's ability to offer national ENERGY STAR Verification Oversight services can be demonstrated in a variety ways, including, but not limited to:

- Membership includes ENERGY STAR verification organizations geographically distributed across the seven climate zones within the United States;
- A Board of Directors/Executive Committee that has technical expertise in conducting Home Energy Ratings across the seven climate zones within the United States;
- Conducts recruitment efforts at national Building Science conferences;
- Provides feedback as appropriate to EPA on national ENERGY STAR policy issues; and/or
- Any other requirements that EPA may deem sufficient to demonstrate national scope.

PART FOUR: Demonstration of Policies and Procedures Governing Oversight of ENERGY STAR Verification Organizations

- Attach accreditation program plan that incorporates comprehensive by-laws, governing policies, procedures and certifications to be followed by the VOO and its verifiers.

PART FIVE: Application Certification and Representation

As an official representative of _____,
 I, the undersigned, do hereby submit this Application for Recognition as an ENERGY STAR Verification Oversight Organization to the U.S. Environmental Protection Agency. I certify that the information and representations contained in this application are complete and accurate to the best of my knowledge.

Name: _____

Signature: _____

Title: _____

Organization: _____

Date: _____

I also hereby certify that (initial all):

- This organization does not directly qualify homes for the ENERGY STAR label nor represent an association of builders _____; and
- This organization shall maintain open membership policy for all ENERGY STAR verification organizations (subject to satisfaction of accreditation requirements) _____.