*April 28, 2010*

# IT Reseller and Custom System Builder Feedback on:

## ENERGY STAR® Products Enhanced Testing and Verification: Consumer Electronics and IT Products

**NASBA – The Association of Channel Resellers** is one of the largest professional trade association for channel resellers in North America.  It builds strategic relationships with key VAR, integrator and solution provider members and leading technology companies, and fuels partner growth in the information technology (IT) and consumer electronics (CE) industries through targeted services such as their Communications Vehicles, Technology Conferences, Themed events, Industry Intelligence, Web Services, and unique media and marketing programs.

In its capacity as a neutral advocate of the channel, NASBA has gathered information about the proposed changes to the ENERGY STAR and respectfully submits this consolidated report, including recommendations.

If any group or individual at the EPA is interested in discussing these findings further, please do not hesitate to contact me (Frank Raimondi, 503-828-1924, frank@nasba.com).

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## Background

Current Status of Channel Manufacturers / OEMs
# of Channel and Local OEM Partners
North American (115V) Desktop ENERGY STAR certified OEMs:
–43 OEMs total
–30 OEMs Channel or Local OEM Partners (non-MNC)

European (230V) Desktop ENERGY STAR certified OEMs:
–33 OEMs total
–21 OEMs Channel or Local OEM Partners (non-MNC)

**Impact of EPA's Actions**

"Almost 100% of notebook bids requires (ENERGY STAR) certification and 80% for desktops. We are talking about US$ millions of impact each quarter…" – Brazil OEM

Reduced Channel OEMs' ability to compete against multinational companies in government & education bids
–Multinationals have lab resources in US for quick test and turnaround, whereas foreign companies will be forced to ship to US, unable to respond to bids due to shipping/customs delays

Increased burden on cost of product due to freight, exportation, importation taxes for ENERGY STAR qualification
–Additional testing fees for certifications will need to be amortized over the lifetime of product, leading to increased costs to OEM

Decreased flexibility of product configuration changes
–Subsequent derivative products will need to be re-qualified, leading to delays and hurting OEM's ability to be competitive in a fast-paced industry.

**Customer Quotes**

"…We supply 40-50 different configurations today.  Looking at shipping costs, verification testing costs, audits, etc., greatly limits our ability to stay in business. The extra cost burdens would immediately make us unprofitable, and we would drop Energy Star participation.  I don't mind an audit now and then, but for every system, forget it!"  Channel OEM, Minnesota

"… Knowledge is the key; load us custom system builders with relevant content, help us be more compliant to the letter of the law as well as the intent."  Channel OEM, Mississippi

"…we are not only worried about PCs and notebooks but how the change in process affects our TV and set-top box businesses"

"..today we pay $2k/configuration for FCC certification, $4k for UL/CSA; fees for local recycling, environmental recovery.  The profit margins for desktop PCs cannot afford additional costs to support  ENERGY STAR" – Channel Board of Advisors member

"…it's almost impossible in terms of logistics to send the equipment to USA for certification in the desired window. It may take 2 to 3 months to get the certification due to logistics involved and they need to answer bids in 7-15 days." – Tier 1 Brazil OEM

**Feedback & Recommendations**
Preferred Verification Process:

1) Allow pass through "recipe" data to be submitted to EPA
– Allow pre-configured BOM tested by outsourced mfgs (or other major supplies) to be submitted to EPA by OEMs who re-label PCs/notebooks if using same components

2) Self-Certification
- Develop a program of training and certification for individual companies/OEMs to become an EPA authorized certified verifier.  This would not preclude them from being audited by appropriate EPA central body, and/or to send systems in for auditing by third party.

Alternate Recommendations:

3) Allow OEM internal labs to self-verify product (without ISO 17025) if alternate internal quality management system in place (ie. ISO 9001:2008)

4) If 3rd party labs are required, EPA must identify labs in Canada, EU, Latin America, and other partner countries, not just within the United States
–Customers do not want to ship systems to US due to cost, customs, and time delays
–Labs must be identified throughout the US to reduce shipping delays & costs for partner OEMs

If ISO/IEC 17025 is required for internal labs, EPA must allow 12 month grace period for OEM prep, documentation, accreditation, etc.


**Other "Food for Thought"**
1.     ENERGY STAR is a US focused program with participation by several partner countries.  However, ENERGYSTAR  is now used worldwide as a standard for purchasing of many products.  How will these changes affect both US and foreign companies outside the partner countries, wanting to participate in the program and sell ENERGY STAR qualified systems/products?

2.     Is there a possibility for cost subsidies or cost control on 3rd party test houses who will be conducting the test as well as SLAs (Service Level Agreements).  With a sudden dramatic increase in demand, we would be worried about the supply of testing facilities, and the likely rise in prices and delay in delivering the results of verification.  The last thing you or anyone wants is for them to jack up the price since they are the only choice to get ENERGY STAR certified.  We want to make sure EPA promotes ENERGY STAR…not make it a restrictive regulation by adding too much cost or time to the whole process of time to market.  If testing centers don't set any expectations, the labs may get backed up and there will be no regulation.  If the

number of labs enabled are not enough to meet an industry SLA, we would expect the EPA to open more test centers…or push for self certification.

3.      According to current laws, systems that have been shipped out to 3rd party labs for testing cannot be sold as new.  With an option for self certification, integrators can add the power testing as part of the manufacturing process enabling them to ship the test systems as a new system.  Scrapping these test systems (as well as audited systems), and the shipping cost, plus test costs… that starts to add up and shipping ENERGY STAR systems may not make sense at that point.  Our IT Reseller base, in particular those making systems from scratch, have very small margins and the extra costs will be a significant hit to their profit, if not eliminate it all together.