

## Home Energy Ratings Self Rated and Bundled Service Conflicts

The national HERS Program and ENERGY DESIGNED HOMES<sup>(SM)</sup> both stipulate that ratings be performed by neutral, third party Raters. A rating program's viability to the homeowner and to the financial community, it's very credibility, rests on Rater objectivity. As an appraiser cannot appraise his own sale, a Rater should not hold a financial interest in a rated property.

Given the obvious need to guarantee Rater objectivity, the HERS protocol still allows for a Rater to hold a financial interest in rated projects. In these cases, the Rater is required to sign and furnish an affidavit to the homeowner and lender; however, to expand this to the ENERGY STAR HOMES (ESH) rating process is problematic.

The prior HERS audit effort has been primarily rehab or HWAP based with a focus on remediating a particular comfort or high bill complaint for existing housing. The rater or energy professional was relied on to find the problem, to suggest the upgrade, and to occasionally assist in the repairs, primarily for the lack of other competent rehab specialists. A disclaimer was necessary.

The risk of abuse in this system is minimal. In Ohio, the number of this type of audit is small, less than 100 per year. The number of these audits that go to remediation is smaller yet, typically in the range of ¼ to ½ of those audited. The number of those that involve the Rater in the repair might be less than five. A system that has that few occasions per year is a low risk system. The conflict of interest risk is further reduced by the focus on the performance problem. If the audit, rehab process is not effective, a flag will appear to the HERS Organization manager.

By contrast, the risk for builder self rated homes, or for bundled ratings done by subcontractors of the builder, is very large. There are a very large number of potential ENERGY STAR ratings. For several years, we have worked with production builders of approximately 5000 homes per year. All are working through the preplan, building practice evaluation, and marketing evolution hopefully to join the ESH program and to certify homes. We are currently certifying 2500 homes started by two builders in the 2001 calendar year. The large number of ratings that this market will bring will make effective monitoring for possible conflict of interest issues very difficult.

The risk is also greater because of the lack of focus. The focus for the ENERGY STAR rating is the score not a specific comfort or high bill complaint. There is no market mechanism to ascertain if that project is an 83, 86, or 89. The follow-up recheck of audits by HERS Organizations is not adequate and is not consistently performed. Why invite the conflict into a system with less than adequate safeguards?

For all of the technical definitions that strive to build uniformity and credibility in the rating system, there is no mention of self-ratings or of bundled ratings in the current NASEO TechGuide. This issue has the potential to undercut every aspect of our technical expertise and our market acceptance. We anticipated the conflicts of interest issue a year ago and devised an alternate strategy. I have attached a description of our RATER ALLY program.

ENERGY DESIGNED HOMES<sup>(SM)</sup> will not allow Builder self-certification. We will allow Rater vested interests only if properly disclosed *and* if the Rater's other business interest or trade performs at or in excess of ENERGY STAR HOME minimum standards. (See Partner.Htm for standards examples.)