

Residential Energy Services Network's Strategic Planning Framework

(Revised September 14, 2007)

I. Introduction

In the four years that RESNET has been incorporated the organization has witnessed a dynamic growth in terms of accomplishments, financial stability, staffing, and credibility. Because of this growth, in 2005 the RESNET Board of Directors directed staff to take stock of these accomplishments and develop a strategic planning framework for the organization.

Strategic planning does not guarantee correct decision making. It only ensures that decisions will be made with foresight. The framework is designed to be a process rather than a static document. The framework should serve as the foundation for the organization's:

- Priorities
- Budget
- Evaluation

This framework should be seen as a road map. This road map is necessary because as the adage goes, "*If you don't know where you are going, any road will get you there.*" It must be stressed that this strategic planning framework is designed to be a guide for the board and staff to make decisions and is not a static document. The important element of strategic planning is not the development of a plan but planning. It is strategic thinking and acting that are important and not the plan itself.

It must be remembered that the building performance industry is a dynamic field with many unforeseen opportunities and threats. RESNET will always need the flexibility to meet changing circumstances. This planning creates an anticipatory organization whose members work toward common goals while being able to seize unexpected opportunities and cope with unexpected challenges.

RESNET's staff approached this strategic planning effort as a process of examining the organization's mission, services, goals and opportunities. The goal of the framework is not only to create a consensus around a vision for the future to allow the organization to build a sense where it is heading; but also, to allow everyone, not just the leaders, to understand the direction being taken by the organization.

Building Performance Planning Focus Group

The first critical step in the planning process was to develop a “large picture from 30,000 feet” of the status of the rating industry. To achieve this, staff convened an industry focus group to define the long term strengths, weaknesses, opportunities, and threats to our organization and industry. The focus group was composed of representative experts of the rating industry and its stakeholders.

The focus group was facilitated by David Meisegeier of ICF Consulting. Its members were:

- Mike Baker, TXU Electric Delivery
- Steve Cowell, Conservation Services Group
- Megan Edmunds, E-Star Colorado
- Philip Fairey, Florida Solar Energy Center
- David Goldstein, Natural Resources Defense Council
- Thomas Hamilton, CHEERS
- Stephanie Harmon, Progress & Associates
- Michael Holtz, Architectural Energy Corporation
- David Lee, Environmental Protection Agency
- Joseph Lstiburek, Building Science Corporation
- Kelly Parker, Guaranteed Watt Saver Systems
- Edward Pollock, U.S. Department of Energy
- Bill Prindle, American Council for an Energy Efficiency Economy

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Vision Statement

“RESNET’s vision is of a world that encourages and rewards minimum building energy use through independent, performance-based building certification.”

Mission

“RESNET’s mission is to ensure the success of the building energy performance certification industry, set the standards of quality and increase the opportunity for ownership of high performance buildings.”

Services Provided

I. The Uniform National Standard of Measuring and Comparing a Building’s Energy Performance

The creation of a uniform definition of a reference building, by which all buildings can be compared, creates a platform in which programs, the housing industry, lending institutions, and consumers can measure the energy performance of buildings and calculate energy and pollution savings. This allows programs such as ENERGY STAR, energy efficient mortgages, tax credits, state energy codes, and utility programs to set a marker on the rating scale for a building’s energy performance. The rating method does not pre-select which measures should be applied but rather gives the rater and the builder the option of selecting what makes the most sense for their market.

II. National Standards and Infrastructure for Accreditation, Certification, and Quality Assurance

RESNET sets the standard for quality for performance based building certification. RESNET has created standards for the training and certification of raters and other building performance professionals, the procedures for ensuring the quality of rating services, and the technical specifications of rating software programs. The RESNET standards are recognized by the mortgage industry; state energy codes; utility public benefit programs; the U.S. Environmental Protection Agency (EPA); the U.S. Department of Energy (DOE); the U.S. Department of the Treasury and Congress, for proposed federal tax credits.

III. Recognition in the Market Place of the Added Value of Building Performance and Rating Certification Services

Since rating and building performance certification services are voluntary and private sector based, they must be profitable in the market place. RESNET provides the national market differentiation and business development framework for raters to market their building performance certification and consulting services to the national building industry.

IV. The National Information Source for Building Performance

A key service of RESNET is to provide reliable information on the value of high performing buildings to building performance professionals, the housing industry, government agencies, and consumers. RESNET employs a highly sophisticated combination of communication channels including a web site, an Internet Blog, e-mail communications, periodic news letters, and an annual conference to provide this service.

V. Facilitate the Monetizing of High Energy Performance in Buildings

There are market developments that can expand the value proposition for enhanced energy efficiency in buildings. These are the recognition of energy efficiency in the environmental emissions and the capacity and reliability markets as a tradable commodity. RESNET rating infrastructure should serve as the performance metric for this economic activity

Strategic Opportunities

I. Environmental and Energy Efficiency Certificate Trading

With the softening of the new housing market there is a clear need to expand the range of business opportunities for the building performance rating industry. A dynamic opportunity to diversify the industry is to monetize a building's energy savings through environmental and energy efficiency trading. There are market developments that can expand the value proposition for enhanced energy efficiency in buildings. These are the recognition of energy efficiency in the environmental emissions and the capacity and reliability markets as a tradable commodity. These developments incorporate the same concept of monetizing the improved performance of building and selling that improved performance to achieve the objectives of energy and environmental markets. These developments offer the following opportunities:

- The ability of certified raters to expand the value proposition of their services to include the calculation and verification of the environmental savings from improving a building's energy performance and to trade the value in the emissions markets (NOx, Carbon, Mercury, etc.)
- The ability of certified raters to use the emerging capacity markets that will pay for reductions in peak electricity use
- The potential for energy efficiency to create certificates that can be included in Renewable Portfolio Standards (compliance markets) or voluntary clean power markets

II. Expand the Demand for High Performance New Homes

Currently ENERGY STAR Homes are the foundation for the demand for rating services. The EPA ENERGY STAR Homes Program has laid a solid foundation for the transformation of the new homes market. In 2005 over 10% of homes built in the U.S. were rated as ENERGY STAR. However, changes in the ENERGY STAR Program and the softening of the new homes market threaten the expansion of this market as builders seek to reduce their costs. What is needed is to expand the base for the demand of rating services by builders. The clearest opportunity is to make the RESNET HERS Index the metric for building performance. The HERS Index should be incorporated into other federal new homes programs such as Building America and become the performance metric for new federal, state and utility new homes initiatives. In addition, the housing industry needs to become educated on the value that the rating infrastructure can add to their business.

III. Existing Homes

Existing homes represent the largest market opportunity for rating services. Today for every new home sold there are 10 existing homes that are sold. The American housing stock is aging – 75% of today's homes were built before 1980 – and there are great opportunities for cost-effective energy improvements that preserve or improve occupant health and safety building durability. RESNET needs to tap this market opportunity.

IV. “International Partnerships to Develop an International Protocol for Rating and Certification of Building Energy Performance”

For the past three years RESNET has undertaken a dialogue with the European Union (EU) on the rating of building energy performance. This dialogue resulted in Eduardo Maldonado, chair of the EU's Energy

Performance in Buildings Directorate's (EPBD) Concerted Action, being the key note speaker at the 2007 RESNET Conference. In April 2007, Professor Maldonado announced to the EPBD that as a result of the dialogue with RESNET, "...it became obvious that RESNET's system can easily fit the model required by EPBD..." In 2007 RESNET entered into a formal affiliations with the Canadian Residential Energy Services Network and Shanghai, China.

These international activities are critical if it can be realistically expected that building energy performance will be accepted as a tradable offset in a global carbon emissions market. Clearly an international ISO protocol will increase the likelihood of achieving this opportunity.

V. Multi-Family and Commercial Buildings

Increasingly, there is growing interest by developers and utility sponsored programs to expand ENERGY STAR into multi-family buildings that are larger than three stories. With Congress passing tax incentives for commercial buildings that require performance verification, a business opportunity for raters has been created. Currently, there are no national standards for commercial buildings such as RESNET's residential standards. Working with commercial energy efficiency programs such as the Building Commissioning Association and the New Buildings Institute, RESNET should expand its residential standards to address the verification of energy performance of commercial and multi-family buildings. A National ENERGY STAR Multi-Family Working Group has been formed that has developed protocols for rating of multi-family buildings. This effort is currently being piloted in New York, Oregon and Wisconsin.

VI. Federal Tax Credit Verification

After five years of hard work and advocacy, tax incentives for increasing the energy efficiency of buildings is law. The tax incentives address new homes, existing homes, and commercial buildings. The incentives are only slated to exist for two years. All of the tax incentives offer business opportunities to raters to expand their services. The goal of the incentives is market transformation. RESNET must assist in developing a coalition of governmental agencies, energy advocacy groups, utilities, and the private sector to develop a comprehensive market transformation effort that will maintain the demand for services after the tax incentives expire.

VII. Building Performance Diagnostics and Remediation

As building performance experts, RESNET members are engaged in assessing the design, operation/maintenance and performance of building

systems, including architectural, mechanical and electrical systems. As a consequence, RESNET members will diagnose operational and performance problems and will recommend approaches to remediate these problems. A market opportunity is growing in both the residential and commercial building sectors to offer building performance diagnostic and remediation services which RESNET can assist its members by developing methods and standards for building performance diagnostics and certifying knowledgeable building performance diagnosticians.

VIII. Energy Codes

There is a national trend for building departments to recognize third-party inspections of homes. This is due to such factors as limited budget resources; the addition to the code of non-structural and non-life and safety requirements, such as energy efficiency; and the growing popularity of a performance path option. This presents a dynamic opportunity for the rating industry to expand its services to include verification of energy code compliance.

This trend will only increase as builders move toward performance compliance. Builders are discovering that they are able to meet the energy performance thresholds of the code more economically through the performance option. When presented with a realistic option, builders will choose building performance. This is best demonstrated in the ENERGY STAR Homes Program. Over 90% of builders use the home energy rating certification over the prescriptive Building Option Package. The knowledge base, tools, and time required for performance inspections are beyond most building department's resources. It is envisioned that building departments will increasingly privatize the testing and inspections for builders using the performance option of code compliance.

When presented with an opportunity, builders will choose a dynamic performance compliance option over a restrictive prescriptive path. This trend will increase with the adoption of a dynamic performance path in the 2006 International Energy Conservation Code (IECC).

The RESNET standards, with its quality assurance provision, will increase the confidence of code officials in the integrity of ratings. Fourteen states already allow home energy ratings as an energy code verification option. RESNET needs to continue to advocate revising the IECC to explicitly include ratings as a compliance mechanism so that more states will be comfortable recognizing home energy ratings as a viable compliance option.

IX. Sustainable/Green Building

More than energy efficiency, builders are interested in green buildings. The National Association of Home Builders Association (NAHB) is aggressively pursuing its green builder program. Surveys also show that consumers show preference for products that are labeled as environmentally friendly. A home's energy performance is part of all green building program qualification criteria. This is an opportunity for RESNET to partner with national green building programs, such as NAHB and the U.S. Green Building Council on having home energy ratings provide the verification of a home's energy performance. The green building movement also presents an opportunity for raters to expand the services they offer to verify non-energy criteria.

X. Affordable Housing

Energy efficiency is a key factor for affordable housing. Affordable housing programs are making energy efficiency a higher priority. Energy ratings can play a key role in this trend. Already through the Building America program, dynamic partnerships are being developed between raters and Habitat for Humanity Affiliates. The U.S. Department of Housing and Urban Development (HUD) is encouraging public housing authorities to have their existing homes rated and have new developments built to the ENERGY STAR specifications. RESNET's efforts in this arena should be expanded.

Goals

1. By 2010, the RESNET uniform standard for measuring and comparing a building's energy performance will become the accepted national standard for measuring the energy performance of buildings.

A key priority of RESNET is to maintain the uniform method of measuring comparing and certifying a building's energy performance. This is the essence of RESNET's mission as an organization. The creation of a uniform definition of a reference building by which all buildings can be compared creates a national platform by which programs, the housing industry, lending institutions, and consumers can quantify the energy performance of buildings and calculate energy and pollution savings.

2. By 2015, the RESNET standards will be internationally acknowledged as standards for quality in the verification of building performance and the certification of pollution savings.

RESNET sets the standards for quality in rating services. We have created the standards for training and certification of raters, the

procedures for rating providers to ensure the quality of rating services, and the technical specifications for rating software programs. The RESNET standards are recognized by the mortgage industry; state energy codes; public utility benefit programs; EPA; DOE; HUD; and the U.S. Department of the Treasury, for tax credits.

As part of its plan to comply with the Kyoto Protocol on global climate change, the European Union (EU) has passed a law that mandates all member nations to enact a building energy performance rating program that requires all buildings be energy performance rated at the time of sale or change of occupancy. The U.S. and the European Union should adopt complementary rating standards, such that energy ratings are an internationally recognized tool for verifying carbon savings. RESNET should actively work to develop international (ISO) standards that support this objective. The number of buildings in Europe that will be rated because of the EU directive will result in a much larger market for interested parties to invest in energy efficiency and renewable energy.

3. By 2010, rater services will be valued by the national marketplace without regard to subsidies and will be expanded to include the other features of a building's performance.

Since rating and building performance services are voluntary and private sector based, they must be profitable in the market place. Currently many rating providers are successful because of program subsidies. Many raters do not have the business skills necessary to branch out into other sectors. RESNET needs to provide raters with the tools for success in new markets by defining market differentiation, various business models and value propositions.

Through the expansion and diversification of rating services, not only, will existing partnerships be strengthened, but also, new partnerships will be forged. With the tools provided by RESNET, raters will be able to take advantage of strategic opportunities that will expand their services beyond energy features. They will become vital partners in maintaining a building's performance in the areas of comfort, durability, health and safety, and environmental impact.

Process Objectives

2007

- To begin developing RESNET standards for multi-family and commercial buildings

- To have RESNET verification procedures adopted by the U.S. Green Building Council and the National Association of Home Builders for the energy efficiency elements of their green building programs
- To adopt optional building performance specialty certifications for raters who are trained in comfort, durability, health and safety, and environmental impact fields
- To develop other areas of cooperation and coordination between RESNET and the Building Performance Institute
- To establish a linkage between certified energy raters and green building inspectors
- To adopt realistic and sustainable provider accreditation fees
- To establish more defined and uniform career paths for rater members
- To have DOE adopt the RESNET reference home as the basis for the Building America benchmark
- To develop and deliver business and marketing development training to RESNET rater members
- Adopt RESNET national standard for energy audits of existing homes
- Develop suite of verification tests for calculating emission savings
- Develop series of audio rater roundtables on the opportunities and business development benefits of environmental, capacity value and energy efficiencies certificate trading.
- Conduct series of sessions on the opportunities and business development benefits of environmental, capacity value and energy efficiencies certificate trading at the 2007 RESNET Building Performance Conference.
- Develop briefing materials, talking points and PowerPoint presentations for the RESNET network to advocate at state regulatory hearings.
- Create a standing committee of RESNET members who are participating in environmental, capacity value and energy efficiencies certificate trading to provide support and guidance.
- Educate environmental organizations on the contributions that building energy performance can make on environmental, capacity value and

energy efficiencies certificate trading and the existence of RESNET standards.

- Develop plan of action to educate the investment community on the contributions that building energy performance can make on environmental, capacity value and energy efficiencies certificate trading and the existence of RESNET standards.
- Develop plan of action to regulated industries on the contributions that building energy performance can make on environmental, capacity value and energy efficiencies certificate trading and the existence of RESNET standards.
- Develop plan of action for state energy offices on the contributions that building energy performance can make on environmental, capacity value and energy efficiencies certificate trading and the existence of RESNET standards.
- Develop plan of action for state regulatory agencies on the contributions that building energy performance can make on environmental, capacity value and energy efficiencies certificate trading and the existence of RESNET standards.
- To continue dialogue with the European Union and the International Energy Agency on an international protocol for an energy rating for buildings
- Implement sampling provider accreditation application process
- Advocate for extension of new homes and commercial building energy efficiency tax incentives and for performance based existing homes credit.

2008

- In cooperation with the Environmental Protection Agency, begin developing RESNET standards for multi-family buildings
- To have RESNET's verification procedures recognized by the National Association of Home Builders for their green building program.
- Working with the Building Performance Institute, adopt building performance specialty certifications for raters who are trained in comfort, durability, combustion equipment testing, and other building performance fields.

- To expand areas of cooperation and coordination between RESNET and BPI.
- To develop a suite of verification tests for rating software tools for calculating environmental emission savings.
- To develop model legislation and ordinances for the requirement of ratings at time of sale for states and municipalities that are considering enacting such requirements
- Track proposed legislation introduced in Congress to set up a national carbon cap and trade system and advocate that such legislation include building energy savings as an eligible trade off.
- Educate presidential candidates on the role that building energy efficiency can play in addressing the pressing issues of energy security and global climate change.
- To educate environmental organizations on the contributions that building energy performance can make on environmental, capacity value and energy efficiencies certificate trading and the existence of RESNET standards.
- To continue dialogue with the European Union and the International Energy Agency on an international protocol for an energy rating for buildings
- To develop a dialogue with Shanghai, China in developing a formal alliance to develop and implement a private market based home energy rating structure.
- To expand strategic alliance with the Canadian Residential Energy Services Network
- Advocate for extension of new homes and commercial building energy efficiency tax incentives and for performance based existing homes credit.
- Begin setting a RESNET reserve fund
- Explore the option of RESNET serving as an aggregation agent for rating providers to trade energy efficiency certificates
- To work with the Architecture 2030 Challenge for their challenge to adopt the HERS Index for its residential matrix.

2009

- To have the European Union's Building Performance Directive's standard (CEN) and RESNET's standard be complementary in measuring building performance
- To expand the definition of rating services to include energy code compliance, green building verification, affordable housing, and verification of improvements to existing homes by building performance contractors
- To incorporate comfort, durability, health and safety, and environmental impact into RESNET rating standards either directly or through complementary/reciprocal recognition of third-party standards either directly or through complimentary/reciprocal recognition of third-party standards
- To develop business models for raters to provide services to commercial and multifamily facilities
- Modify RESNET's standards to be in compliance with ANSI standards
- Develop direct financing package for upgrades to existing homes
- To revise RESNET Standards to meet ANSI standards
- Educate presidential transition team on energy of the role that building energy efficiency can play in addressing the pressing issues of energy security and global climate change.
- Have RESNET standards recognized for documenting building energy efficiency for emission reduction certificates for the environmental trading market
- In conjunction with BPI, adopt a building performance joint strategic implementation strategy
- Begin pilot RESNET aggregation of energy efficiency certificates for the U.S. voluntary market

2010

- In conjunction with Canada, China and the European Union develop a uniform international HERS Index

- The International Energy Conservation Code explicitly recognizes the RESNET standard for verification of the performance compliance option
- The U.S. Department of Housing and Urban Development adopts the RESNET standards for its affordable housing initiatives
- To be the national information resource for trusted information on building performance
- To develop a major information campaign to inform members, industry, and consumers on RESNET offered services and the HERS Index
- To have RESNET's standards approved by ANSI

2011

- To be the premier U.S. organization known for verification and labeling of building energy performance
- To make the HERS Index into a national brand recognized by consumers as “**the**” metric for assessing building energy performance

2012

- To coordinate with Canada, the European Union, and the International Energy Agency to incorporate the RESNET standard and their complementary standards into a formal international (ISO) standard

2013

- To establish building pollution savings verification as a major profits center for RESNET's members

2014

- To develop rating expertise and certification services that foster the privatization of building code inspection and home inspection services

2015

- To work with Asia, Australia and New Zealand to have their building performance verification standards complement the RESNET (and European) standard

Ongoing

- To continue to strengthen the quality assurance of RESNET services, including reviewing, updating, and revising standards and procedures as needed