



VERITEK

Gas Registry and Switching Performance Audit Final Report

For

Mercury NZ Limited

Prepared by

Steve Woods: Veritek Limited

Date of Audit: 10/11/20 & 11/11/20

Date Audit Report Complete: 23/03/21



Executive Summary

This Performance Audit was conducted at the request of the Gas Industry Company (GIC) in accordance with Rule 88 of the 2015 Amendment Version of the Gas (Switching Arrangements) Rules 2008.

The purpose of this audit is to assess the systems, processes and performance of Mercury Energy Limited (Mercury) in terms of compliance with these rules.

The audit was conducted in accordance with terms of reference prepared by GIC.

The summary of report findings in the table below shows that Mercury's control environment is "effective" for ten of the areas evaluated, "adequate" for three areas and "not adequate" for one area.

11 of the 14 areas evaluated were found to be compliant. Three breach allegations are made in relation to the remaining areas. They are summarised as follows:

- the registry was not always populated within two business days of Mercury entering into a contract to supply gas to a consumer,
- registry updates are not occurring as soon as practicable,
- the existence of Use of System agreements with distributors was not demonstrated, and

As a result of this performance audit, I recommend the following:

1. That Mercury periodically analyses all ICPs at Ready for more than six months to identify ICPs which can be decommissioned, or ICPs which should be ACTC. Specific attention should be paid to ICPs at Ready with metering recorded in the registry.
2. That Mercury reviews the annualised consumption calculation in SAP to ensure accuracy.
3. That Mercury reviews the use of GAN acceptance codes to ensure accuracy.

Summary of Report Findings

Issue	Section	Control Rating (Refer to Appendix 1 for definitions)	Compliance Rating	Comments
Participant registration information	2	Effective	Compliant	Registration information is accurate.
Obligation to act reasonably	3	Effective	Compliant	No examples of Mercury acting unreasonably were found.
Obligation to use registry software competently	4	Effective	Compliant	No examples of Mercury using registry software incompetently were found.
ICP identifier on invoice	5	Effective	Compliant	The ICP identifier is shown on Mercury's invoices.
Uplift of ready ICP	6	Adequate	Not compliant	The registry was not populated within two business days of Mercury entering into a contract to supply gas to a consumer for four of 82 examples checked. I recommend Mercury periodically analyses all ICPs at "ready" for more than six months to identify ICPs which can be decommissioned, or ICPs which should be ACTC. Specific attention should be paid to ICPs at "ready" with metering recorded in the registry.
Maintenance of ICP information in registry	7	Adequate	Not compliant	Registry not updated as soon as practicable for 12 out of 110 ICPs.
Resolving discrepancies	8	Effective	Compliant	Validation reporting is in place, and discrepancies are resolved in a timely manner.
Initiation of consumer switch/switching notice	9.1	Not adequate	Not Compliant	Mercury was unable to demonstrate that Use of System Agreements were in place.

Response to a gas switching notice	9.2	Effective	Compliant	No issues were found with this process.
Gas acceptance notice	9.3	Adequate	Compliant	Five ICPs have an incorrect response code of AD. I recommend a review to ensure the accuracy of GAN acceptance codes.
Gas transfer notice	9.4	Effective	Compliant	No issues were found with this process.
Accuracy of switch readings	9.5	Effective	Compliant	No issues were found with this process.
Gas switching withdrawal	9.6	Effective	Compliant	No issues were found with this process.
Switch reading negotiation	9.7	Effective	Compliant	No issues were found with this process.

Persons Involved in This Audit

Auditor:

Steve Woods
Veritek Limited

Mercury personnel assisting in this audit were:

Name	Title
Ranjesh Kumar	Commercial Operations and Reconciliation Manager
Kayla McJarrow	Compliance, Risk & Financial Reconciliation Analyst
Trixie Fermin	Customer Data Analyst
Tricia Ah Sei	Senior Connection Centre Coordinator
Rebecca Prosser	Premise and Metering Team Leader
Matt Mc Donald	Customer Risk Team Leader
Filsha Ah Shek	Risk Control Coordinator
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1. Pre-Audit and Operational Infrastructure Information

1.1 Scope of Audit

This Performance Audit was conducted at the request of the Gas Industry Company (GIC) in accordance with Rule 88 of the 2015 Amendment Version of the Gas (Switching Arrangements) Rules 2008.

88. Industry body to commission performance audits

88.1 The industry body must arrange performance audits of registry participants at intervals of no greater than five years.

88.2 The purpose of a performance audit under this rule is to assess in relation to the roles performed by a registry participant -

88.2.1 The performance of the registry participant in terms of compliance with these rules; and

88.2.2 The systems and processes of that registry participant that have been put in place to enable compliance with these rules.

The audit was conducted in accordance with terms of reference prepared by GIC.

The audit was carried out on November 10th and 11th 2020 at Mercury's premises in Auckland.

The scope of the audit includes compliance with the "switching arrangements" rules only. There is a separate report for downstream reconciliation.

1.2 Audit Approach

As mentioned in **section 1.1** the purpose of this audit is to assess the performance of Mercury in terms of compliance with the rules, and the systems and processes that have been put in place to enable compliance with the rules.

This audit has examined the effectiveness of the controls Mercury has in place to achieve compliance, and where it has been considered appropriate sampling has been undertaken to determine compliance.

Where sampling has occurred, this has been conducted using the Auditing Standard 506 (AS-506) which was published by the Institute of Chartered Accountants of New Zealand. I have used my professional judgement to determine the audit method and to select sample sizes, with an objective of ensuring that the results are statistically significant.¹

Where compliance is reliant on manual processes, manual data entry for example, the sample size has been increased to a magnitude that, in my judgement, ensures the result has statistical significance.

Where errors have been found or processes found not to be compliant the materiality of the error or non-compliance has been evaluated.

¹ In statistics, a result is called statistically significant if it is unlikely to have occurred by chance. (Wikipedia)

1.3 General Compliance

1.3.1 Summary of Previous Audit

The previous audit was conducted by Steve Woods of Veritek Ltd and was completed on 19/08/17. The table below shows the findings of this audit and whether the issues have been resolved.

Section	Summary of issue	Rules potentially breached	Status
6	Registry not populated within two business days for 479 ICPs.	54.1	Still existing
7	Registry updates not occurring as soon as practicable.	61.1	Still existing
8	Meter pressure discrepancies not corrected for the entire period of inaccuracy.	62.1	Cleared
9.2	One late response to a gas switching notice.	69.1	Cleared
9.3	Incorrect GAN file content.	70.3	Still existing
9.4	Incorrect data in some GTN fields	72.1.6, 72.1.7, 72.1.8(a) and 72.1.8(b)	No longer considered a breach
9.6	Switch withdrawal notices sent in error.	75.1	Cleared
9.6	Four late GAW files.	78.1	Cleared
9.7	One late GAC file.	81.1	Cleared

1.3.2 Breach Allegations

Mercury has several alleged switching breaches recorded by the Market Administrator since July 2017, with many underlying breaches. A summary of the breaches is shown in the table below.

Breach month	Underlying breaches	Rule allegedly breached	Details
Jul-17	3	69.1	Late switch response
Sep-17	3	78.1 & 81.1	Late GAW
Dec-17	3	69.1	Late switch response
Aug-17	57	70.3	Incorrect GAN content
Aug-17	479	54.1	Late uplift of Ready
Aug-17	250	61.1	Correction not made as soon as practicable
Aug-17	15	62.1	Best endeavours not demonstrated in relation to registry corrections
Aug-17	1	69.1	Late switch response
Aug-17	22	72.1.6, 72.1.7, 72.1.8(a) & 72.1.8(b)	Errors in GTN files
Aug-17	10	75.1	Incorrect GNW
Aug-17	4	78.1	Late GAW
Aug-17	1	81.1	Late GAC file

Jan-18	2	69.2	GTN not provided within 10 business days
Feb-18	2	69.2	GTN not provided within 10 business days
Apr-18	2	69.2 & 72.2	GTN not provided within 10 business days, Switch readings incorrect.
Jun-18	1	78.1	Late GAW
Jul-18	1	69.2	GTN not provided within 10 business days
Aug-18	1	69.2	GTN not provided within 10 business days
Sep-18	3	67.3 & 69.2	Incorrect requested switch date, GTN not provided within 10 business days
Oct-18	1	69.2	GTN not provided within 10 business days
Jan-19	1	69.2	GTN not provided within 10 business days
Mar-19	5	69.2	GTN not provided within 10 business days
Apr-19	3	69.2 & 72.2	GTN not provided within 10 business days
May-19	10	69.1, 69.2 & 78.1	Late switch response, GTN not provided within 10 business days, Late GAW
Jun-19	3	78.1 & 69.2	GTN not provided within 10 business days, Late GAW
Jul-19	4	78.1	Late GAW
Sep-19	2	78.1 & 69.2	GTN not provided within 10 business days, Late GAW
Oct-19	1	70.2	Incorrect expected switch date
Nov-19	1	69.2	GTN not provided within 10 business days
Dec-19	1	69.2	GTN not provided within 10 business days
Feb-20	1	78.1	Late GAW
Mar-20	2	69.2	GTN not provided within 10 business days
Apr-20	1	78.1	Late GAW
May-20	1	69.2	GTN not provided within 10 business days
Jul-20	1	72.2	Switch readings incorrect.
Sep-20	1	81.1	Late GAC file
Oct-20	5	70.2	Incorrect expected switch date

As noted in the Summary of Report Findings, non-compliance was found in three sections of this audit. Three breach allegations are made in relation to these matters.

Breach Allegation	Rule	Section in this report
Registry not populated within two business days of Mercury entering into a contract to supply gas to a consumer for four of 82 examples checked.	54.1	6
Registry not updated as soon as practicable for 12 out of 110 ICPs.	61.1 & 58.1	7
The existence of Use of System Agreements was not demonstrated.	65.2.3	9.1

1.4 Provision of Information to the Auditor (Rule 91)

In conducting this audit, the auditor may request any information from Mercury, the industry body and any registry participant.

Information was provided by Mercury in a timely manner in accordance with this rule.

1.5 Draft Audit Report Comments

A draft audit report was provided to the industry body (GIC), the registry operator, and registry participants that I considered had an interest in the report. In accordance with rule 92.3 of the 2015 Amendment Version of the Gas (Switching Arrangements) Rules 2008, those parties were given an opportunity to comment on the draft audit report and indicate whether they would like their comments attached as an appendix to the final audit report. The following responses were received.

Party	Response	Comments provided	Attached to report
Mercury Energy	Yes	Yes	Included in each relevant section

The comments received were considered in accordance with rule 93.1, prior to preparing the final audit report. No changes were made to the report.

2. Participant Registration Information (Rules 7 and 10)

All registry participants must supply registration information to the registry operator. Registration information consists of:

- the name of the registry participant,
- the registry participant's telephone number, physical address, facsimile number, email address, and postal address, and
- identification as to which class, or classes, of registry participant (retailer, distributor or meter owner) that the registry participant belongs.

Registration information must be given in the form and manner required by the registry operator as approved by the industry body. Every person who is a registry participant at the commencement date must supply the registration information within 20 business days of the commencement date. Every person who becomes a registry participant after the commencement date must supply the registration information within 20 business days of becoming a registry participant.

Mercury has supplied registration information and it appears to be correct.

3. Obligation to Act Reasonably (Rule 34)

No examples of Mercury acting unreasonably were found.

4. Obligation to Use Registry Software Competently (Rule 35)

No examples of Mercury using registry software incompetently were found.

5. ICP Identifier on Invoice (Rule 36)

The ICP identifier is shown on Mercury's invoices.

6. Uplift of Ready ICP (Rule 54)

The process was examined for the connection and activation of new ICPs.

New connections are managed via the networks' portals. Progress notifications are automatically generated, and the relevant details are loaded into SAP.

One of the main issues with the new connections process is that the physical connection is made at the property when the ICP is still at the "ready" status. At this point the consumer has not always registered with a retailer, even though gas is being consumed. Because networks will create ICPs based on a request from the customer, the retailer is not always included in the communication process.

When an ICP is established in SAP for a proposed new connection a "proposed connection date" field is populated. Monitoring is in place to identify those ICPs where this date has passed without the receipt of a liveness notification. There is also monitoring of situations where a liveness notification has been provided but a meter docket has not been received. Customer identification and registration is managed by outbound calling to "register" the customer at the time the ICP is first established for the proposed new connection.

The "Maintenance Breach History Report (RET breaches)" report was examined for the period August 2019 to September 2020. This report contained 146 ICPs where the initial registry update was later than two business days, out of a total of 940 new connections. I checked the records for six ICPs where the registry update was more than 10 business days. In all six cases, Mercury updated the registry as soon as they were notified by the distributor or meter owner. Late field notification was the cause of the late updates in all cases.

I checked the "RSREADY" report to identify ICPs at "ready", where Mercury is the proposed retailer to ensure they were loaded into SAP. The report contained 290 records. I checked the records for 82 ICPs where the creation date was prior to 01/01/2020. The findings are as follows:

- 12 ICPs are not recorded in SAP,
- 17 ICPs have had the new connection cancelled,
- 33 ICPs are recorded as "on hold",
- 16 ICPs are in progress, and
- four ICPs were not changed to ACTC in the registry despite notification being received from the field or from the meter owner having populated the registry; non-conformance is recorded below, and the details are shown in the following table.

ICP	Creation date	Connection date	Registry input date	Metering input date	Comments
1001295913NG57B	9/05/2018	12/06/2018	10/11/2020	13/06/2018	Paperwork received but the status was not updated.
1002035223QT2B0	12/06/2017	14/07/2020	11/11/2020	15/07/2020	Paperwork received 16/07/20 but SAP and registry not updated.
1002072527QT34D	24/10/2019	16/11/2019	11/11/2020	19/11/2019	Paperwork not received. Follow up with the meter owner resulted in paperwork being sent. The metering information was updated in the registry soon after connection.
1002073372QT1AC	8/11/2019	3/06/2020	11/11/2020	5/06/2020	Paperwork received 08/06/20 but SAP and registry not updated.

I recommend Mercury periodically analyses all ICPs at “ready” for more than six months to identify ICPs which can be decommissioned, or ICPs which should be ACTC. Specific attention should be paid to ICPs at “ready” with metering recorded in the registry.

Non-Conformance	Description	Audited party comment
<p>Regarding: Rule 54.1</p> <p>Control Rating: Adequate</p>	<p>Registry not populated within two business days of Mercury entering into a contract to supply gas to a consumer for four of 82 examples checked.</p>	<p>Response: These 4 instances have highlighted the need for more frequent follow up for jobs issued to the field. This has been reviewed and a process implemented.</p> <p>In some cases, results were returned but job status not updated so metering was not setup and registry not updated. The improved process will also capture this.</p> <p>Comments:</p> <p>We have implemented better monitoring of jobs in this status and will look at periodically analysing ICPs at “Ready” status.</p>

7. Maintenance of ICP Information in the Registry (Rules 58 to 61)

Retailers must use “reasonable endeavours” to maintain current and accurate information in the registry (Rule 58) and, if a responsible retailer becomes aware that information is incorrect or requires updating, they must correct or update the information “as soon as practicable” (Rule 61). The Rules do not define a specific time period but for the purpose of this audit, I checked the reasons for late updates for a selection of 110 ICPs. I have recorded breach allegations where I consider the reason for the late update was within Mercury’s control and additional steps could have been taken to prevent the late update.

Analysis of status events was undertaken to determine whether the registry was populated as soon as practicable. The table below shows the results of the analysis.

Status	Total ICPs	Update greater than 5 days	Update greater than 30 days	Average update days
ACTC	4,576	1,329	354	13.0
ACTV	3,723	220	55	2.0
INACT	455	116	20	14.0
INACP	225	114	31	24

I checked a selection of ICPs for each status to confirm whether compliance was achieved with the requirement to update the information “as soon as practicable”.

Status	ICPs checked	Number of breaches
ACTC	30	0
ACTV	30	2
INACT	20	8
INACP	30	2

ACTV updates				
ICP	Event date	Input date	Business days	Reason
0000149561QTBFA	26/05/2020	13/07/2020	33	ACTV status incorrectly populated in the registry by SAP.
0000614581QTD1F	24/01/2020	19/03/2020	38	Processing issue

INACT updates				
ICP	Event date	Input date	Business days	Reason
0000023611GN96E	1/11/2019	7/01/2020	43	Processing delay
0000051391QTC66	21/08/2020	23/09/2020	23	Processing issue
0000069371QTAF0	17/07/2020	23/09/2020	48	Processing issue
0000105921QT546	5/08/2020	3/09/2020	21	Processing issue
0000200581QTAC1	5/02/2020	27/07/2020	118	Processing issue
0000345651QTC59	10/03/2020	23/09/2020	137	Processing issue
0004002723NG7E9	4/12/2019	9/01/2020	22	Processing issue
0004208409NGDB6	6/08/2020	18/09/2020	31	System issue

INACP updates				
ICP	Event date	Input date	Business days	Reason
0000028658GNA7A	15/05/2020	23/07/2020	48	Processing issue
0000121091QT1B0	15/05/2020	29/09/2020	96	Processing issue

Non-Conformance	Description	Audited party comment
<p>Regarding: Rule 61.1 & 58.1</p> <p>Control Rating: Adequate</p>	<p>Registry not updated as soon as practicable for 12 out of 110 ICPs.</p>	<p>Response: Out of the 110 checked 12 were not updated as soon as practicable and of these the majority relate to a status change to INACT. These, like the ready status could be improved by more frequent monitoring and follow up on job results as we rely on these results to update the status.</p> <p>Comments: We have reviewed the process and we are more active in following up on job results.</p>

8. Resolving Discrepancies (Rule 62.1)

Mercury has a set of validation reports to identify and resolve discrepancies, which was demonstrated during the audit.

I checked several of the validation reports in detail, specifically those where errors could lead to incorrect submission of consumption information to the allocation agent. As mentioned in **section 6**, I have recommended an improvement to the validation reporting to include ICPs at “ready” with metering installed and ICPs at “ready” for long periods.

Allocation groups

I checked the discrepancy reporting for allocation groups, and I confirmed by checking the most recent report that registry updates and meter reading frequency are changing as soon as practicable.

Status reasons

I checked the detailed records for 25 ICPs to confirm whether the status reason was correct. I found one error when checking the reasons against the records provided from the field. The registry has now been corrected.

Removed meters

I checked 20 ICPs where the status was ACTV or ACTC, but the registry indicated that meters were removed. 19 ICPs have meters recorded in SAP and the meter owner needs to update the registry. One ICP had the incorrect status and this is now resolved.

Gas gates

No gas gate discrepancies were identified.

Meter numbers and digits

The meter reading processes are designed to identify meter number or digit discrepancies.

The meter number is stored in the handheld device. If the meter reader’s handheld device is expecting more digits than the number of dials, then the reading is entered as normal and notification is made in the “readers notes” field for investigation. If the handheld is expecting fewer digits than the number of dials, then the reading is entered into the “readers notes” field and once again an investigation is conducted.

I compared the SAP metering information to the registry list, and I did not find any discrepancies that would lead to incorrect calculation of submission information.

Network Pressure vs meter pressure

There are 18 ICPs where the network pressure and the meter pressure are the same (none of these have the “operating at network pressure” flag set to yes), and 13 ICPs where the network pressure is less than the meter pressure. Most of the network pressures appeared accurate compared to most ICPs on the street. Three ICPs had incorrect network pressures of three, when they should have been 400. These have now been corrected by the distributor.

Meter pressure

Mercury compares their metering fields against registry metering fields on a daily basis. If a discrepancy is identified, Mercury requires a metering docket or some other form of evidence to confirm the meter pressure before they make a change.

Revisions of consumption information only occur if incorrect invoices are reversed and re-billed with the correct meter pressure. I checked nine meter pressure changes and they were all correctly processed. Reverse and rebill occurred for ICPs where invoices had already been sent.

9. Switching

9.1 Initiation of Consumer Switch / Switching Notice (Rules 65 to 67)

I checked a sample of 20 GNT files to confirm they were sent within two business days of entering into a contract to supply gas to the consumer. All GNT files were sent within two days of the customer making contact to arrange a switch move.

All GNT files for standard switches were sent prior to the event date. Compliance is confirmed.

No GNT files were sent more than 10 business days in advance of the switch date. Compliance is confirmed.

I checked that Mercury had Use of System Agreements in place with all distributors as required by rule 65.2.3. Mercury was unable to demonstrate that these agreements were in place.

Non-Conformance	Description	Audited party comment
Regarding: Rule 65.2.3 Control Rating: Not adequate	Mercury was unable to demonstrate that Use of System Agreements were in place.	Response: Mercury will liaise with the distributors to ensure we have records of all agreements and that these agreements are current and up to date. Comments: As above.

9.2 Response to a Gas Switching Notice (Rules 69 to 75)

Within two business days of receiving a gas switching notice, the responsible retailer must provide to the registry:

1. a gas acceptance notice (GAN), or
2. a gas transfer notice (GTN), or
3. a gas switching withdrawal notice (GNW).

The switch breach report confirmed there were no late files during the audit period.

9.3 Gas Acceptance Notice (Rule 70)

A sample of 24 GAN files was checked to confirm the accuracy of the content and that the expected switch date was not later than 10 business days as stipulated in Rule 70.2.2.

Five GAN files contained the incorrect response codes of AD. It appears the GAN file is picking up the electricity advanced metering flag instead of the gas metering flag. No ICPs had incorrect expected switch dates. Rule 70.3 requires that GAN files contain acceptance codes, as defined by the industry body, but the rule does not stipulate that these codes must be accurate. Therefore, I recommend Mercury reviews their use of codes to ensure accuracy.

9.4 Gas Transfer Notice (Rule 72)

The content of a sample of 20 GTN files was checked to confirm accuracy. All switch readings were accurate.

The following issues were found:

- ICP 0000004481QTD9D had the incorrect annualised consumption of zero instead of 19.

I checked 59 ICPs where there were potential errors in the estimated annualised consumption field. I checked 20 ICPs where the consumption figure was zero, 18 where it was over 250 on AG6 ICPs and 21 where it was under 250 on AG4 ICPs. I found the following:

- one ICP with zero consumption was incorrect,
- all 18 ICPs with consumption over 250 on AG6 ICPs were incorrect, and
- 15 ICPs with consumption under 250 on AG4 ICPs were incorrect.

Rule 72.1.3 requires GTN notices to contain “an annualised consumption (in gigajoules) estimate for the ICP”, but it does not stipulate that the estimate must be accurate; therefore, I have not alleged a breach, but I recommend Mercury reviews the annualised consumption calculation in SAP to ensure accuracy.

9.5 Accuracy of Switch Readings (Rule 74)

The accuracy of switch readings is discussed in **section 9.4** above. There were no examples of incorrect switch readings. Mercury conducts meter readings of vacant ICPs as required by this rule.

9.6 Gas Switching Withdrawal (Rules 74A, 75, 76, 78)

An analysis was undertaken of GNWs (switching withdrawal notices) to identify the number within each reason category. This was done as both the recipient of the GNW and as the initiator of the GNW. The results are shown in the tables below.

GNW files sent and received

NW Files	CR	DF	IN	MI	UA	WP	WS	Total	% of GNTs
NW Sent (old)	563	33	0	8	2	97	201	904	11.2%
NW Sent (new)	67	29	0	12	1	59	1	169	2.9%
NW Received (old)	317	25	0	34	20	77	117	590	10.4%
NW Received (new)	191	67	0	7	3	67	3	338	4.2%

The number of GNW files sent and received where the retailer is the old retailer have roughly halved since the last audit, which indicates improved accuracy at the time of sending GNT files.

I checked examples of all GNW codes where Mercury was the new retailer and where Mercury was the old retailer. In all cases, the correct codes were used, and Mercury had sufficient information to support the withdrawal.

I checked 10 examples where GNW files had been sent by other retailers and had been rejected by Mercury. In all cases, Mercury had sufficient information to support the rejection. 7.4% of GNW files received were rejected.

9.8% of GNW files sent by Mercury were rejected. All 10 ICPs sampled appeared to be correctly rejected.

9.7 Switch Reading Negotiation (Rule 79, 81)

There were 315 instances of Mercury sending a GNC. A sample of 20 GNCs were reviewed and all were found to be substantiated.

There were 416 GNCs sent by other retailers, indicating inaccurate switch reads by Mercury.

There were 60 GAC files sent by Mercury where they rejected the other retailer's switch read. There were 73 ICPs where the other retailer rejected Mercury's proposed read.

I checked a sample of 20 NC files sent by Mercury and their read was confirmed as correct in all cases. The same is true for a sample of GNC files received by Mercury, in all cases, Mercury agrees with the proposed reading change.

Rejected GAC files were examined and I found that rejections were only occurring when there was disagreement with the reading provided and acceptance was then confirmed once a reading had been negotiated. The process is working as expected.

10. Bypass of Distributor (Rule 82)

Mercury is not the retailer on a bypass network, so they do not have responsibilities under this Rule.

11. Recommendations

As a result of this audit, I have made two recommendations, as follows:

1. I recommend Mercury periodically analyses all ICPs at Ready for more than six months to identify ICPs which can be decommissioned, or ICPs which should be ACTC. Specific attention should be paid to ICPs at Ready with metering recorded in the registry.
2. Review the annualised consumption calculation in SAP to ensure accuracy.
3. Review the use of GAN acceptance codes to ensure accuracy.

Appendix 1 – Control Rating Definitions

Control Rating	Definition
Control environment is not adequate	<p>Operating controls designed to mitigate key risks are not applied, or are ineffective, or do not exist.</p> <p>Controls designed to ensure compliance are not applied, or are ineffective, or do not exist.</p> <p>Efficiency/effectiveness of many key processes requires improvement.</p>
Control environment is adequate	<p>Operating controls designed to mitigate key risks are not consistently applied or are not fully effective.</p> <p>Controls designed to ensure compliance are not consistently applied or are not fully effective.</p> <p>Efficiency/effectiveness of some key processes requires improvement.</p>
Control environment is effective	<p>Isolated exceptions identified when testing the effectiveness of operating controls to mitigate key risks.</p> <p>Isolated exceptions identified when testing the effectiveness of controls to ensure compliance.</p> <p>Isolated exceptions where efficiency/effectiveness of key processes could be enhanced.</p>