Background

Under the Gas (Switching Arrangements) Rules 2008 (Switching Rules) and Gas (Downstream Reconciliation) Rules 2008 (Downstream Rules), Gas Industry Co must arrange performance audits of registry participants and allocation participants at intervals of no greater than five years. The purpose of a performance audit is to:

(a) assess compliance with the Switching Rules and Downstream Rules;

(b) assess the systems and processes put into place to enable compliance with the Switching Rules and Downstream Rules;

(c) if the registry participant or allocation participants intends to make any changes to its systems, processes or procedures that could have an impact on compliance with the Switching Rules or Reconciliation Rules, assess whether the participant will be compliant with the Switching Rules and the Reconciliation Rules after the implementation of the change.

Under the Switching Rules and Downstream Rules, the terms 'registry participant' and 'allocation participant' include retailers, distributors and meter owners. This document relates specifically to the terms of reference that apply to performance audits for gas retailers, as audits of other participants will necessarily involve different obligations under the rules.

Switching Rules: Retailer obligations			
Rules(s)	**Issue**	**Audit of retailer systems and processes:** Auditors will evaluate the following aspects of retailers' operations	**Audit of retailer compliance with the Rules:** Auditors will:
7, 10	Participant registration information	• Retailer's process for keeping registration information and contact details up-to-date	• Confirm the retailer's participant details are maintained correctly in the registry
34	Obligation of registry participant to act reasonably	• Retailer's dealings with the registry and other registry participants	• Audit the retailer's interactions with the registry by exception to identify any issues.

			• Audit the retailer's interactions with other registry participants to identify any problems, for example:
			    ○ repeated switch withdrawal requests or late switch completions without adequate communications
			    ○ vexatious breach allegations
			    ○ any issues noted by the Market Administrator

35	Obligation of registry participant to use software for the registry competently, use the operator's support services and have a nominated manager responsible for communications with the registry	• Retailer's use of registry software • Retailer's use of support services related to the registry • Communications with the registry	• Review the retailer's processes for using the registry software and identify any exceptions where the retailer has not used registry software in a competent manner leading to errors. • Review the retailer's use of support services related to registry software and identify any exceptions to this Rule. • Confirm that the retailer has a nominated manager who is responsible for communications with the registry and that this person is correctly identified in the registry, and by the Registry Operator, as the contact person.
36	ICP identifier on invoice	• Each consumer's invoice must include the ICP identifier and it must be clearly labelled "ICP" on the invoice	• Review compliance with this requirement (visual inspection of invoice)
54	Retailer uplift of READY ICP	• New connections process • Process to uplift a READY ICP • Processes to update new retailer ICP information in the gas registry • Processes to validate ICP information in the gas registry	• Obtain a sample of new ICPs[1] from the retailer's databases of an appropriate size to ensure the results of analysis have statistical significance. The sample should include both TOU and non-TOU ICPs with respective sample sizes for each category reflecting their population size. • Validate processes used to create and populate ICP information on the registry, as listed in

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[1] Auditors should follow the guidelines set out in AS-506: Audit Sampling, issued by the Council of the Institute of Chartered Accountants of New Zealand (2003), for guidance on determining sample size and selection.

			Schedule 1, Part B of the Rules ('retailer ICP information'). Particular focus should be placed on factors affecting billing and reconciliation accuracy (allocation group, ICP status, profile code). • Confirm the accuracy of this ICP information in the gas registry. • Confirm that the retailer populates the gas registry with ICP information for a new consumer within two business days of contracting to supply gas to that consumer. • Check the Maintenance Breach History report (RET breaches) to identify any systemic issues or non-compliance. • Review ICPs at READY status that identify the retailer as the expected retailer, particularly ICPs that have been at READY status for a long time and ICPs with a meter installed. There is no obligation to uplift a READY ICP until a contract is signed with a consumer, but it is a potential source of error and UFG. Check process for monitoring new connections that the retailer has requested from a distributor, to ensure eventual uplift.
58, 59.3, 59.4, 59.5, 59.6, 59.7 59.8, 59.9, 59.10, 60.2, 61.1	Maintenance of ICP information in the gas registry	• Processes to ensure retailer ICP information held on the registry is accurate and up-to-date • Disconnection/reconnection process to ensure ICP status field is kept up-to-date	• Review processes used to maintain, validate and correct retailer ICP information (including ICP status) in the registry to ensure accuracy. Confirm consistency with information held on the retailer's database and internal consistency of registry data, for example allocation group versus CCM band, ICP connection status versus Meter Identifier. Particular focus should be placed on factors affecting billing accuracy as listed previously.

			• Using a sample of change notifications to the registry, confirm that ICP status changes that are the responsibility of the retailer (listed in Rule 59) are being conducted appropriately. • For example, ensure allocation group field in registry is maintained and updated in accordance with requirements of the Reconciliation Rules.
62.1	Resolving discrepancies	• Exception-handling process for identifying and resolving discrepancies between the registry and the retailer's system, including how the retailer responds to notifications of discrepancies from other stakeholders	• Review process for monitoring accuracy of registry information and comparison of information in the registry with information in the retailer's system. Particular focus should be placed on factors affecting billing accuracy. • Review current level of discrepancies, timeframes for resolving discrepancies with other parties • For a sample of customers, compare information held in registry with information held in retailer's system • Note any incidence of GTN validation failures (via GTN mismatch report) which indicate incorrect ICP parameters sent by the retailer
65	Initiation of a consumer switch	• Consumer switching processes • New account creation	• Using a sample of switched consumers that have been initiated by the retailer (referred to as the 'new retailer'), confirm that the processes used by the new retailer to switch a consumer are consistent with those listed in Rule 65. • Check that the retailer has suitable Use of System Agreements in place to initiate switches with customers on all networks and with all meter owners, or alternatively, have controls in place to avoid initiating switches for networks/meters with no current UoSA. • In particular, check process for preventing initiation of switches on Nova bypass networks
66, 67	Gas switching notice	• Processes associated with the retailer initiating a switch	• Using a sample of switched consumers that have been initiated by the new retailer, confirm that

			the new retailer meets the switching notice timeframes listed in Rules 66.1, 67.3 and 67.3A. Analyse switch withdrawal statistics for incidence of 'DF' withdrawals attributable to the retailer • Check that the new retailer has a gas switching notice consistent with the requirements outlined in Rules 67.1 and 67.2 • Check that the retailer identifies and uses the correct switch type – either Standard (S) or Move Switch (SM). Analyse switch withdrawal statistics for incidence of 'WS' withdrawals attributable to the retailer • Check that the retailer verifies the correct ICP and address for the consumer. Analyse switch withdrawal statistics for incidence of 'UA' or 'WP' withdrawals attributable to the retailer

69.1, 69.1A,69.2, 69.3, 70, 72, 75	Response to a gas switching notice	• Processes associated with a retailer receiving a gas switching notice	• Using a sample of received gas switching notices, confirm that the retailer ('current retailer') has given the registry:
			  o A gas acceptance notice, or
			  o A gas transfer notice, or
			  o A gas switching withdrawal notice
			within two business days after receiving a gas switching notice.
			• Confirm that these notices are consistent with the requirements outlined in Rules 70, 72 and 75 respectively.
			• Using a sample of instances where a switching withdrawal notice, issued by the current retailer, is rejected by the new retailer (by providing its own switching withdrawal notice) confirm that the current retailer has provided the registry:
			  o A gas acceptance notice, or
			  o A gas transfer notice

			within two business days after receiving a gas switching notice.
			• Using a sample of received gas switching notices, confirm that the current retailer has completed the switch by giving a gas transfer notice within 10 business days after receiving a gas switching notice (unless the switch is withdrawn).
			• Using a sample of standard switches, confirm that if the current retailer gives a gas transfer notice, it does so within two business days of the switch date included in the transfer notice.
			• Verify the results of sampling against any historical patterns of behaviour observable in switch breach history reports
70	Gas acceptance notice	• Processes associated with gas acceptance notices	• Confirm that gas acceptance notices issued by the retailer are consistent with the requirements outlined in Rules 70.1, 70.2 and 70.3.
			• Using a sample of gas acceptance notices, confirm that the gas acceptance notice has a an expected switch date that is within 10 business days after the date the retailer received the switching notice from the gas registry.
72	Gas transfer notice	• Processes associated with gas transfer notices • Process for providing switch read (actual or estimated)	• Confirm that gas transfer notices issued by the retailer are consistent with the requirements outlined in Rule 72.1.
			• Using a sample of gas transfer notices, confirm that the information included in the notices is accurate.
			• Confirm that the switch date used meets the requirements listed in Rules 72.2, 72.3, 72.4 and 72.5 regarding appropriate switch dates.
			• Verify the results of sampling against any historical patterns of behaviour observable in switch breach history reports

74	Accuracy of switch readings	• Processes for ensuring accurate switch reads	• Using a sample of gas transfers, check that the retailer provides accurate switch read information, consistent with the requirements identified in Rule 74.
74A, 75, 76, 78	Gas switching withdrawal	• Processes associated with gas switching withdrawal	• Using a sample of gas switching withdrawals, confirm that the process that the retailer has followed is consistent with the process outlined in Rules 74A and 75. • Check that gas switching withdrawal notices issued by the retailer are consistent with the requirements outlined in Rule 76. • Using a sample of received gas switching withdrawals, confirm that the retailer (as a recipient) has provided the gas registry a gas switching withdrawal response notice within five business days and that the response is consistent with the requirements outlined in Rule 78.2. • Investigate frequency of withdrawals received (and reason codes) in comparison to other retailers, to identify any systemic issues with wrong address, wrong customer etc
79, 81	Switch reading renegotiation	• Processes associated with renegotiation of switch readings in the event of a dispute over reading accuracy	• Check that switch reading renegotiation request notices issued by the retailer are consistent with the requirements outlined in Rules 79.3 and 79.4. • Using a sample of instances where the retailer has received a switch reading negotiation request, confirm that the retailer has issued a response notice within five business days of receiving the notice.
82	Bypass of a distributor	• Processes associated with bypassing a distributor	• Confirm that the retailer processes ICPs bypassed as either the creation of a new ICP or the re-commissioning of an ICP, following the requirements for these events listed in the Rules.

			• Confirm that the retailer gives notices identified in 82.3 not less than 10 business days before the retailer intends giving effect to a bypass.
	General compliance	• Check for closure of unresolved issues from previous performance audits • Processes developed as a result of a determination or recommendation made by the market administrator, market investigator or rulings panel	

Reconciliation Rules: Retailer obligations			
Rule(s)	**Issue**	**Audit of retailer systems and processes:** Auditors will evaluate the following aspects of retailers' operations	**Audit of retailer compliance with the Rules** Auditors will:
26.2 28.2	Set up and maintenance of ICP/metering/billing information in systems	• Processes to establish and maintain metering set up information for new and existing ICPs (including when meters are changed out) • Processes to set up and maintain ICP information relevant to consumption calculations • Processes to set up and maintain non ICP/metering set up information relevant to consumption calculations	• Obtain a sample of ICPs from retailer's databases (both ToU and non-ToU) so as to obtain statistically significant results • Compare metering set up information relevant to meter owners with information from meter owners (including meter pressure, number of dials to be read for 1 m^3) • Validate processes used to establish and maintain other ICP set up information relevant to calculation of billing factors (network pressure if relevant, altitude) • Validate processes used to establish and maintain non ICP/metering set up information relevant to calculation of billing factors (temperature, gas composition data)
26.5	Maintenance of registry information	• Processes to populate ICP information for new ICPs on the gas registry • Processes to ensure ICP information held on the registry is accurate and up to date	• Obtain a sample of new ICPs and a sample of ICPs that existed prior to registry go-live from retailer's databases • Compare information on responsible retailer, ICP status, connection status, allocation group, and profile code held in registry with information in retailer's databases • Validate processes used to establish and maintain ICP information in the registry • Obtain download of retailer's customer database by ICP, annual consumption, and allocation group. Check that ICPs are allocated to allocation group correctly.

39	Gas trading notices	• Processes to give notice to the allocation agent when commencing or ceasing to supply gas to consumers at an allocated gas gate	• Validate processes used to generate gas gate trading notices
28.1 28.4.2 29.1- 29.5 40.2	Meter reading and validation	• Processes to ensure meters are read in accordance with the requirements of the ICP allocation group • Processes to record and store register reading data for at least 30 months • Processes to validate meter readings and deal with exceptions • Processes to revise data when errors occur	• For a sample of ToU and non-ToU ICPs, obtain where available 30 months of raw register reading data from the relevant meter reading service provider and compare with the equivalent data held in the retailer's systems • Verify the retailer's compliance with the requirement to store register reading data for a minimum period of 30 months • Verify the retailer's compliance in reporting to the allocation agent the number and percentage of validated register readings during the previous four and twelve months • Verify that ICPs are assigned to the correct allocation group in accordance with rule 29
28.2	Energy consumption calculation	• Processes to convert measured volume to volume at standard conditions, and volume at standard conditions to energy consumption (application of "billing factors")	• Obtain a sample of ToU and non-ToU ICPs across several gas gates and extract 30 months of meter reading data for them • For each ICP, convert the volume between meter readings to volume at standard conditions, and volume at standard conditions to energy consumption, and compare with the retailer's calculations • Confirm application and storage of billing factors, and underlying data used for the calculation, complies with NZS 5259
34 – 36 30.3 40	Estimation	• Processes to estimate consumption where forward estimates are required, and for historical estimates where seasonal adjustment daily shape values have not	• Obtain a sample of allocation group 3 to 6 ICPs from retailer's databases and extract 30 months of meter reading data for them

55-56 37.2		• been supplied by the allocation agent for the full read-read period • Processes to ensure compliance of the calculation for historical estimates where seasonal adjustment daily shape values have been supplied by the allocation agent for the full read-read period • Processes to estimate consumption for ToU consumers • The application, use and maintenance of registered deemed profiles (where appropriate)	• Verify that historical and forward estimation processes were conducted appropriately and in accordance with the rules • Verify the retailer's compliance in reporting the proportion of historical estimates contained in the consumption information provided to the allocation agent • Investigate extent of compliance, and efforts to comply, with the initial submission accuracy requirement • Review appropriateness of retailer's ToU estimation methodology • Identify differences between billing and submission information estimation algorithms, and validate whether reasonable or not
30 – 33 28.4 52	Submission information	• Processes to build and submit consumption information to the allocation agent for initial, interim and final allocations • Processes to build and submit billed information to enable annual reconciliation • Processes to revise data when metering or metering/billing set up errors are discovered	• For the ICPs examined under the 'Energy consumption calculation' and 'Estimation' sections, compare the calculated and estimated consumption with consumption information and billed information submitted to the allocation agent, and with the consumption billed to customers • For the sampled ICPs, validate data submitted to the allocation agent by comparing with data sourced from the allocation agent • For the sampled ICPs, validate billed data through inspection of customer invoices • For all ICPs, compare number of ICPs in each allocation group with numbers submitted to the allocation agent and numbers of active ICPs recorded in the registry • Verify retailer's compliance with the requirement to store consumption information submitted to the

			allocation agent in such a manner that it cannot be altered without leaving a detailed audit trail
	General compliance	• Check for closure of unresolved issues from previous performance audits and event audits • Processes developed as a result of a determination or recommendation made by the market administrator, market investigator or rulings panel	• Review unresolved discrepancies from UFG event audits to determine whether actions taken to close and/or correct for any errors were appropriate • Review instances of alleged breaches of the Rules notified to the Market Administrator including steps taken to improve compliance/mitigate re-occurrence of breaches