



GAS REGISTRY AND SWITCHING PERFORMANCE AUDIT PAN PAC

Date of audit: 12-13 February 2025

Report completed: 26 May 2025

Under the Gas (Switching Arrangements) Rules 2008 Gas Industry Company commissioned Langford Consulting to undertake a performance audit of Pan Pac Forest Products Ltd. The purpose of the audit is to assess compliance with the rules and the systems and processes put in place to enable compliance.

Auditor Julie Langford

Executive Summary

Under the Gas (Switching Arrangements) Rules 2008 (the rules) Gas Industry Company commissioned Langford Consulting to undertake a performance audit of Pan Pac Forest Products Ltd (Pan Pac) as retailer.

Pan Pac (retailer code PANP) has been set up to enable Pan Pac Forest Products to directly access the wholesale market.

The purpose of the audit is to:

- assess compliance with the rules
- assess the systems and processes put in place to enable compliance with the rules

The audit was conducted within the terms of reference supplied by GIC and within the guideline note *Guideline note for rules 65 to 75: the commissioning and carrying out of performance audits and event audits, version 3.0* (<http://www.gasindustry.co.nz/dmsdocument/2858>).

The summary of report findings shows that the Pan Pac control environment, for the fifteen areas evaluated, is “effective” for seven areas and “not relevant” for eight areas.

Summary of breach allegations

No alleged breaches arise from this audit against Pan Pac. There is one alleged breach arising against Powerco as distributor under the Gas (Switching Arrangements) Rules 2008.

| Section | Participant | Summary of issue | Rules potentially breached |
|---------|-------------|---------------------------------------|----------------------------|
| 9 | POCO | Incorrect ICP address on the registry | 58.1 |

Summary of report findings

| Issue | Section | Control Rating (refer to appendix 1 for definitions) | Compliance Rating | Comments |
|---|---------|--|-------------------|--|
| Participant registration information | 3 | Effective | Compliant | Registry details were up to date |
| Obligation to act reasonably | 4 | Effective | Compliant | No examples of Pan Pac acting unreasonably were found |
| Obligation to use registry software competently | 5 | Effective | Compliant | No examples of Pan Pac using software incompetently were found |
| ICP identifier on invoice | 6 | Not relevant | Not relevant | There are no invoices as this is a self-supply arrangement |
| Use of system agreements | 7 | Effective | Compliant | Pan Pac has an agreement with its distributor, Powerco |
| Uplift of READY ICP | 8 | Not relevant | Not relevant | Pan Pac had not uplifted any READY ICPs |
| Maintenance of ICP information in registry | 9 | Effective | Compliant | There were no incidences of Pan Pac needing to update the registry, there was 1 alleged breach against the distributor |
| Resolving discrepancies | 10 | Effective | Compliant | In the context of 1 ICP the system was considered sufficient |
| Initiation of consumer switch/switching notice | 11.1 | Effective | Compliant | The switch had been initiated on time |
| Response to a gas switching notice | 11.2 | Not relevant | Not relevant | There were no instances |
| Gas acceptance notice | 11.3 | Not relevant | Not relevant | There were no instances |
| Gas transfer notice | 11.4 | Not relevant | Not relevant | There were no instances |
| Accuracy of switch readings | 11.5 | Not relevant | Not relevant | There were no instances |

| | | | | |
|----------------------------|------|--------------|--------------|-------------------------|
| | | | | |
| Gas switching withdrawal | 11.6 | Not relevant | Not relevant | There were no instances |
| Switch reading negotiation | 11.7 | Not relevant | Not relevant | There were no instances |

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1. Introduction

Under the Gas (Switching Arrangements) Rules 2008 (the rules) Gas Industry Company (GIC) commissioned Langford Consulting to undertake a performance audit of Pan Pac Forest Products Ltd (Pan Pac) as retailer. The audit was commissioned under rule 88 and was conducted within terms of reference prepared by GIC.

The engagement was conducted using a series of emails and Teams meetings between 25 November 2024 and 28 February 2025.

The purpose of the audit is to:

- assess compliance with the rules
- assess the systems and processes put in place to enable compliance with the rules

The audit was undertaken in parallel with a performance report under the Gas (Downstream Reconciliation) Rules 2008 which is reported on separately.

In preparing the report, the auditor used the processes set out in the guideline note issued on 1 June 2013: *Guideline note for rules 65 to 75: the commissioning and carrying out of performance audits and event audits, version 3.0* (<http://www.gasindustry.co.nz/dmsdocument/2858>).

2. General Compliance

Pan Pac (retailer code PANP) has been set up to enable Pan Pac Forest Products to directly access the wholesale market, analogous to their arrangements in electricity which enable them to be a direct wholesale market participant.

Pan Pac only serve themselves through these arrangements, there is no intention of providing wholesale market access to unrelated third parties. On this basis, the ICP belonging to Pan Pac would only be switched in once. The ICP would only be switched out if PANP ceased to operate as a “retailer” to facilitate wholesale market access for Pan Pac.

Pan Pac contract Energybridge to provide day-to-day management services for this wholesale market access arrangement. Of relevance to the switching and downstream reconciliation audits, the scope of these activities is outlined in the contract between Pan Pac and Energybridge and reproduced below:

- Manage daily nominations in OATIS.
- Establish access and maintain records in gas registry (switching arrangements).
- Establish access and maintain data in gas allocation system (downstream reconciliation).
- Manage any audits under the reconciliation and switching rules as needed.

Energybridge representatives were therefore the main point of contact for this audit.

2.1 Summary of Previous Audit

Pan Pac started as a registry participant on 21 February 2024 and had not been audited previously.

2.2 Switch Breach Report

There have been no breaches alleged against Pan Pac.

2.3 Provision of information to the Auditor (rule 91)

In conducting this audit, the auditor may request any information from Pan Pac, the industry body and any registry participant. Information was provided by Pan Pac in a timely manner.

3. Participant registration information (rules 7 and 10)

The participant registration information was reviewed. It had last been updated on 23 February 2024 and was found to be up to date.

4. Obligation to act reasonably (rule 34)

No examples of Pan Pac acting unreasonably were found.

5. Obligation to use registry software competently (rule 35)

No examples of Pan Pac using registry software incompetently were found.

6. ICP identifier on invoice (rule 36)

As the “retailer” is the same entity as the customer no internal invoices are raised. Rule 36.1 states:

“Every **retailer** must ensure that the relevant **ICP identifier** is printed on any invoice or associated documentation relating to the supply of gas by the **retailer** to a consumer.”

Presumably the intent behind the rule is to make switching processes more transparent and accessible to the customer, to allow them to switch to another retailer should they wish to.

In these unusual circumstances the auditor has judged that, as there is no invoice and no practical need for any invoice, the need for an ICP identifier does not apply. In the absence of any invoice there is no alleged breach in these unique circumstances. The “customer” is not disadvantaged by the absence of an invoice with an ICP.

7. Use of system agreements (rule 65.2.3)

The rules require that before initiating a switch a retailer must be party to a valid subsisting agreement with the owner of the distribution system to which the consumer installation is connected.

The Pan Pac ICP is on the Powerco network. Pan Pac was able to provide a copy of a Use of System Agreement with Powerco commencing 1 March 2024, the same date the ICP was switched to PANP.

8. Uplift of READY ICP (rule 54)

Pan Pac have not been involved in the uplift of any READY ICP.

9. 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 (r58) 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” (r61).

The auditor reviewed the entries for the 1 ICP and noticed an error in the address line, which is managed by the distributor (POCO in this case).

Alleged Breach

| Incorrect address - POCO | | |
|---|--|--|
| Non-compliance | Description | |
| Report section: 9 Rule: 58.1 From: 5 February 2012 To: Date of audit | Audit history: Yes Controls: Acceptable Impact: Insignificant | Powerco as distributor updated the ICP address on 5 February 2012 to “184” SH2. The correct address, as confirmed with Pan Pac, is “1161” SH2. |
| Remedial action rating | Remedial timeframe | Remedial comment |
| Completed | Completed | The address in the registry has been updated |
| Audited party comment | | |

| | |
|---|---|
| The circumstances of the matters outlined in the breach notice. | The change to the incorrect address happened a long time prior to Pan Pac taking on the retailer role for this ICP and the incorrect details were not noted during the switch |
| Whether or not the participant admits or disputes that it is in breach. | At the time of the audit the address field was incorrect |
| Estimate of the impact of the breaches (where admitted). | There is no impact due to this alleged breach |
| What steps or processes were in place to prevent the breaches? | Due to only having one ICP there was no routine process for identifying incorrect information |
| What steps have been taken to prevent recurrence? | Energybridge will put in place a process to periodically provide registry information to the relevant parties to ensure it remains up to date and correct |

10. Resolving discrepancies (rule 62.1)

Due to their being only one ICP there is no routine process for identifying and resolving discrepancies between the registry and Pan Pac systems, but this is acceptable in this context. Any changes to the registry are likely to be well known to the team and actioned on an ad hoc basis.

11. Switching

11.1 Initiation of consumer switch / switching notice (rules 65 to 67)

Pan Pac had initiated only 1 switch. As the sale of gas is internal there was no formal contracts, but emails dated February 2024 showing intent to 'retail' gas to itself were shown to the auditor demonstrating a clear intent to proceed with the gas sale from 1 March 2024. The GNT was sent on 27 February 2024 with a start date of 1 March 2024 which complies with rule 67.3. i.e. the GNT was prior to the switch date but within 10 business days of the switch date.

65.2.4 requires the retailer to be party to an existing GSA. Pan Pac were set up as trading participants prior to the commencement date, and in fact executed their first trade on 29 Feb, so in this manner were demonstrably meeting their requirement to have a valid GSA in place.

11.2 Response to a gas switching notice (rules 69 to 75)

Pan Pac has never received a GNT.

11.3 Gas acceptance notice (rule 70)

Pan Pac has never initiated a GAN.

11.4 Gas transfer notice (rule 72)

Pan Pac has never initiated a GTN.

11.5 Accuracy of switch readings (rule 74)

Pan Pac has never initiated a GTN with switch readings.

11.6 Gas switching withdrawal (rule 74A, 75, 76, 78)

Pan Pac has never been party to a GNW.

11.7 Switch reading negotiation (rule 79, 81)

There were no instances of Pan Pac being a party to a GNC (notice of change).

12. Bypass of distributor (rule 82)

Pan Pac is not a retailer on a bypass network so they have no responsibility under r82.

13. Breach Allegations

No alleged breaches arise from this audit against Pan Pac. There is one alleged breach arising against Powerco as distributor under the Gas (Switching Arrangements) Rules 2008.

| Section | Participant | Summary of issue | Rules potentially breached |
|---------|-------------|---------------------------------------|----------------------------|
| 9 | POCO | Incorrect ICP address on the registry | 58.1 |

14. Conclusion

The audit shows that the Pan Pac control environment, for the fifteen areas evaluated, is “effective” for seven areas and “not relevant” for eight areas.

This audit resulted in one breach allegation.

Appendix 1 – Control rating definitions¹

| Rating | Definition |
|--------------------------|---|
| Ineffective | <ul style="list-style-type: none"> The design of controls <u>overall is ineffective</u> in addressing key causes and/or consequences. Documentation and/or communication of the controls <u>does not exist</u> (e.g. policies, procedures, etc.). The controls are <u>not in operation</u> or have not yet been implemented. |
| Needs improvement | <ul style="list-style-type: none"> The design of controls <u>only partially</u> addresses key causes and/or consequences. Documentation and/or communication of the controls (e.g. policies, procedures, etc.) are <u>incomplete, unclear, or inconsistent</u>. The controls are <u>not operating consistently</u> and/or effectively and have not been implemented in full. |
| Acceptable | <ul style="list-style-type: none"> The design of controls is <u>largely adequate and effective</u> in addressing key causes and/or consequences. The controls (e.g. policies, procedures, etc.) <u>have been formally documented</u> but <u>not proactively communicated</u> to relevant stakeholders. The controls are <u>largely operating in a satisfactory manner</u> and are providing some level of assurance. |
| Effective | <ul style="list-style-type: none"> The design of controls is <u>adequate and effective</u> in addressing the key causes and/or consequences. The controls (e.g. policies, procedures, etc.) have been <u>formally documented and proactively communicated</u> to relevant stakeholders. The controls overall, are <u>operating effectively</u> so as to manage the risk. |

¹ All relevant systems and processes in place

Appendix 2 – Impact rating definitions²

| Rating | Definition |
|----------------------|--|
| Insignificant | <ul style="list-style-type: none"> • A <u>small number of issues</u> with registry file timeliness and/or accuracy. <u>Negligible impact</u> on other participants or consumers. <u>Did not prevent</u> the process completing. • A <u>small number of issues</u> with the accuracy and/or timeliness of files to the Allocation Agent. Corrections <u>were</u> made by the interim allocation. A <u>small number of issues</u> not related to registry or allocation information. |
| Minor | <ul style="list-style-type: none"> • <u>Some issues</u> with registry file timeliness and/or accuracy. <u>Minor impact</u> on other participants or consumers. <u>Did not prevent</u> the process completing. • <u>Some issues</u> with the accuracy and/or timeliness of files to the Allocation Agent. Corrections <u>were</u> made by the interim allocation. A <u>small number of issues</u> not related to registry or allocation information. |
| Moderate | <ul style="list-style-type: none"> • A <u>moderate number of issues</u> with registry file timeliness and/or accuracy. <u>Moderate impact</u> on other participants or consumers. <u>Did prevent</u> some processes completing. • A <u>moderate number of issues</u> with the accuracy and/or timeliness of files to the Allocation Agent. Corrections <u>were not</u> made by the interim allocation. A <u>moderate number of issues</u> not related to registry or allocation information. |
| Major | <ul style="list-style-type: none"> • A <u>significant number of issues</u> with registry file timeliness and/or accuracy. <u>Major impact</u> on other participants or consumers. <u>Did prevent</u> some processes completing. • A <u>significant number of issues</u> with the accuracy and/or timeliness of files to the Allocation Agent. Corrections <u>were not</u> made by the interim allocation. A <u>significant number of issues</u> not related to registry or allocation information. |

² These ratings are indicative and will be used as a guide only, to aid the Market Administrator's assessment of alleged breaches.

Appendix 3 – Remedial rating definitions

| Rating | Definition |
|--------------------|---|
| Completed | The alleged breach and impact have been resolved. Systems and processes are now compliant. |
| In progress | Steps are being taken to resolve the alleged breach and impact and ensure systems and processes are compliant. |
| No action | Participant undertakes no action to resolve or address auditor controls or impact assessments for commercial reasons. |