



# RECONCILIATION AUDIT GREYMOUTH GAS

Date of audit: 14 March 2023

Report completed: 29 March 2023

Under the Gas (Downstream Reconciliation) Rules 2008 the Gas Industry Company commissioned Langford Consulting to undertake a performance audit of Greymouth Gas New Zealand Ltd and Greymouth Gas 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

This performance audit was conducted at the request of the Gas Industry Company (GIC) in accordance with rule 65 of the 2015 Amendment Version of the Gas (Downstream Reconciliation) Rules 2008 effective from September 2015.

The purpose of this audit is to assess the systems, processes and performance of Greymouth Gas New Zealand Ltd and Greymouth Gas Ltd (Greymouth) in terms of compliance with these rules.

The audit was conducted in accordance with terms of reference prepared by the GIC, and in accordance with the "Guideline note for rules 65 to 75 and 80: the commissioning and carrying out of performance audits and event audits, V3.0" which was published by the GIC in June 2013.

The summary of report findings in the table below shows that the Greymouth control environment is "effective" for all areas evaluated.

One alleged breach has been raised in relation to an ICP where the allocation group was revised but the registry was not updated.

The report also makes the following recommendation:

**RECOMMENDATION:** Reinstating the SFTP system for the receipt of metering data would improve the audit trail.

## Summary of Report Findings

Issue	Section	Control Rating (Refer to Appendix 1 for definitions)	Compliance Rating	Comments
ICP set up information	2.1	Effective	Compliant	There were no new ICPs to review  There was a recommendation to separate out the altitude field to ease verification.
Metering set up information	2.2	Effective	Compliant	Alignment between the registry and Greymouth systems was found to be good
Billing factors	2.3	Effective	Compliant	Greymouth go direct to NIWA rather than using the GIC temperature table
Archiving of reading data	3.1	Effective	Compliant	Meter reading data is available after 30 months.
Meter interrogation requirements	3.2	Effective	Not compliant	There was an example of an allocation group change not being made in the registry
Meter reading targets	3.3	Effective	Compliant	Greymouth have a policy of reading all non-TOU ICPs once a month
Non-TOU validation	3.4	Effective	Compliant	
Non-TOU error correction	3.5	Effective	Compliant	
TOU validation	3.6	Effective	Compliant	TOU data is validated twice, once by Vector and once by Greymouth
Energy consumption calculation	4	Effective	Compliant	

TOU estimation and correction	5.1	Effective	Compliant	Examples were reviewed and no issues arose.
Provision of retailer consumption information	5.2	Effective	Compliant	No issues identified
Initial submission accuracy	5.3	Effective	Compliant	Initial submission accuracy has improved since the last audit
Historic estimates	5.4	Effective	Compliant	Compliance was achieved for all relevant scenarios
Proportion of HE	5.5	Effective	Compliant	The correct proportion of HE is being reported.
Forward Estimates	5.6	Effective	Compliant	Processes were reviewed and no issues were identified.
Billed vs consumption comparison	5.7	Effective	Compliant	No issues identified
Gas trading notifications	5.8	Effective	Compliant	The Allocation Agent had been informed in a timely manner.

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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 65 of the 2015 Amendment Version of the Gas (Downstream Reconciliation) Rules 2008 (the Downstream rules) effective from September 2015.

65. Industry body to commission performance audits

65.1 The industry body must arrange at regular intervals performance audits of the allocation agent and allocation participants.

65.2 The purpose of a performance audit under this rule is to assess in relation to the allocation agent or an allocation participant, as the case may be, -

65.2.1 The performance of the allocation agent or that allocation participant in terms of compliance with these rules; and

65.2.2 The systems and processes of the allocation agent or that allocation 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 the GIC, and in accordance with the “Guideline note for rules 65 to 75 and 80: the commissioning and carrying out of performance audits and event audits, V3.0” which was published by the GIC in June 2013.

The audit included a visit to the Greymouth offices in Auckland on 14 March 2023.

The scope of the audit includes “downstream reconciliation” only. Switching and registry management functions were audited in conjunction with this audit but are included in a separate report.

Since the last audit Greymouth had added an additional participant registry party of Greymouth Gas Limited (GREY) as a retailer. GREY was added as a registry participant on 1 October 2019. The scope of this audit therefore includes both participants GMTH and GREY.

Greymouth’s customer base is predominantly TOU sites, plus a very small number of domestic ICPs (group 4 and 6). All of their TOU sites have telemetry and correctors.

## **1.2 General Compliance**

### **1.2.1 Summary of Previous Audit**

Greymouth was last audited in June 2017 by Veritek Ltd. Greymouth’s control environment was assessed as compliant for 15 of the 18 areas evaluated. Two breach allegations were made:

- Historic estimates are not calculated in accordance with rules 34 and 35 where actual readings are not received on the last day of each month

- There are no audit trails within the Excel based system to record modifications to meter reading data

It was also noted that TOU initial submission accuracy did not meet the 10% requirement on all occasions.

Two recommendations were made:

- Consider applying a compressibility factor for non TOU ICPs with meter pressures over 50 kPa
- The GAS050 submission data should be rounded to three decimal places.

### 1.2.2 Breach Allegations

Greymouth had 1 alleged breach relating to the Downstream rules recorded by the Market Administrator since the last audit in 2017. It was raised by the Allocation Agent in July 2018 against GMTH under rule 37.2 relating to the accuracy of initial data not being within the allowed percentage error of the final consumption data.

The following additional alleged breach has been raised because of this audit:

Breach Allegation	Rules	Section in this report
1 ICP had been identified as needing to be moved to allocation group 6, but the change had not been made in the registry.	r58.1 Gas (Switching Arrangements) Rules 2008	3.2

### 1.3 Provision of Information to the Auditor (rule 69)

In conducting this audit, the auditor may request any information from Greymouth, the Allocation Agent and any allocation participant.

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

The auditor considers that all parties have complied with the requirements of this rule.

### 1.4 Transmission Methodology and Audit Trails (rule 28.4.1)

The rules require that “The consumption information supplied to the allocation agent in accordance with rules 29 to 40 is transferred and stored in such a manner that it cannot be altered without leaving a detailed audit trail...”

The last audit found that Greymouth had no audit trails within the Excel based system to record modifications to meter reading data, but the Market Administrator found that “no material issue/s is raised” in relation to the alleged breach.

The Greymouth system is essentially the same as for the last audit with audit trails in the email system. Greymouth obtain DDR files from OATIS for their direct connect TOU customers staff using their front end OATIS logon. The rest of their TOU data is managed and provided to them from Vector Data Services (Vector). The Vector data used to arrive via SFTP, but this was currently not working so the data was arriving via email as attachments.

Greymouth have very few non-TOU ICPs and they are all domestic. These meters are read by Wells monthly on the last day of the month. This business process is designed to reduce the complications of handling non-TOU ICPs. The Wells meter readings arrive by e-mail.

All data received, TOU and non-TOU, is transferred into an Excel spreadsheet. The non-TOU data is converted into energy within the spreadsheet. This spreadsheet is used for other business processes such as nominations and monitoring the Greymouth balancing and peaking pool, as well as the downstream allocation processes and all processes are undertaken by the same team.

The Excel based process has some advantages and some disadvantages. Using the same Excel spreadsheet for all processes means that the Excel figures are treated as a 'single source' of truth and the consumption figures for all processes are aligned. The use of the same figures in other processes helps to validate the data, as consumption significantly different from expected in the nomination and BPP processes would be highlighted within those activities. Such a process also prevents loss of human knowledge to smart systems.

Excel spreadsheets are however prone to human error – either through transposition errors when data is entered or in the ability of the user to change data without a record being maintained.

It should be emphasised that no instances of such errors occurring were found during this audit, but nonetheless the risk remains. The risks are mitigated by embedded checks and management review.

Non-TOU meter reads from Wells are received by e-mail which are held in the inbox of a variety of staff over time due to staff succession. TOU data from Vector used to be received via SFTP, which would automatically create a file storage structure, making an easy reference point back to original source data. Now the data is received via email and is not stored in one central repository before it is cut and paste into the Excel workbook.

The reinstatement of the SFTP system would assist with the creation of a repository of the originally received data in an organised filing structure which could easily be referred back to. A further extension of this could be to develop a methodology for automating the upload of TOU data into Excel to remove the risk of human error in the transposition of data into the spreadsheet.

**RECOMMENDATION:** Reinstating the SFTP system for the receipt of metering data would improve the audit trail.

## **2. Set-up and Maintenance of Information in Systems (rule 28.2)**

Every retailer must ensure the conversion of measured volume to volume at standard conditions and the conversion of volume at standard conditions to energy complies with NZS 5259:2015, for metering equipment installed at each consumer installation for which the retailer is the responsible retailer.

Compliance with this rule has been examined in relation to the set-up of ICP, metering and billing information. The “Gas (Downstream Reconciliation) Rules 2008 Billing factors guideline note, V2.0” (Billing Factors Guideline) published by GIC on 30/11/15 was also considered when examining the set up and maintenance of information.

### **2.1 ICP Set Up Information**

#### **2.1.1 New Connections Process**

Greymouth had not been involved in the set-up of a new ICP since the date of the last audit. All of their current ICPs were set up prior to 2017 with the exception of one ICP which had been set up by another retailer.

#### **2.1.2 Altitude Information**

It is a distributor responsibility to populate the registry with correct altitude information to support compliance with NZS 5259:2015, and it is a retailer responsibility to comply with NZS 5259:2015 for the conversion of volume to energy.

An LIS file for both GREY and GMTH were reviewed for inaccurate altitude factors against Google Earth. No inaccuracies greater than might cause an error in energy conversion outside of the allowable +/- 1% maximum permissible error were found.

It was however noted that the altitude factor in Greymouth’s Excel system was not shown as a separate field, instead it was incorporated into the equation for the calculation of the altitude factor. This makes it difficult to see when the quarterly check is done against the registry. This was noted in the parallel audit report relating to the switching rules alongside a recommendation to separate out the altitude into a separate field to improve visibility. However, only a minor difference in altitude between Greymouth and the registry, below de minimis levels, were identified during the audit.

### **2.2 Metering Set-up Information**

The records in the Greymouth systems were compared against the information in the registry. No significant differences were identified.

## **2.3 Billing Factors**

### **2.3.1 Temperature Information**

The Greymouth system for regularly downloading temperature data from NIWA every month was unchanged since the last audit so remains compliant. They pull the data every month, immediately prior to the month end process, so that current data feeds into the energy conversion. They are careful to use the station closest to each customer.

The auditor did however highlight that the GIC now provides a list of temperature data for all allocated gas gates. The data was created by NIWA and provides a 30-year average of ground temperature at 30cm depth. The data is presented in degrees Celsius and there is one number per month for each gas gate.

The purpose of this temperature information is for industry participants to use in their data conversion calculations if they wish. The Gas (Downstream Reconciliation) Rules 2008 require that the data used in the conversion of volume to energy must comply with NZS 5259. Average ground temperature at 30cm depth is provided as an option under NZS 5259.

Currently the use of this information is voluntary so there is no requirement for Greymouth to change their processes.

### **2.3.2 Calorific Values**

Gas composition data is downloaded from the Open Access Transmission Information System (OATIS) for use in the noon-TOU energy conversion. It is done at the end of the month, immediately before energy conversion is done to ensure the most up to date version is used. The team look out for gas type correction notifications for the gas types used in their portfolio of customers.

The process was demonstrated during the audit and some spot checks were done. No issues arose.

Vector send TOU DDRs daily which might not use that day's most up to date gas type information, but they also do a month end DDR in which they ensure they use the most up to date gas composition file from OATIS. Greymouth ensure it is this month end DDR that is used in their submission process.

## **3. Meter Reading and Validation**

### **3.1 Archiving of Register Reading Data (rule 28.4.2)**

Retailers are required to keep register reading data for a period of 30 months. Data was examined during the audit and it is confirmed that meter reads are available 30 months after their date of origin.

Sample meter read data was also verified against the data used as the meter read input for the energy calculation to help prove the end-to-end process.

## 3.2 Metering Interrogation Requirements (rule 29)

Rule 29 specifies the type of metering (TOU or non-TOU) that must be installed at a consumer installation, the relevant allocation group that the consumer installation falls within and the interrogation requirements that apply depending on the type of metering and allocation group.

Greymouth have an allocation group check built into their workbook which is done every month. The auditor could see examples of changes between group 4 and group 6 in both directions. One example was found where Greymouth had identified an ICP which should be changed to group 6, had changed the group within its own systems, but failed to update the allocation group in the registry. The data was included in their submission file in the group 6 consumption.

**ALLEGED BREACH:** One ICP had been identified as needing to be moved to allocation group 6, it had been updated internally for this but the change had not been made in the registry. (Gas (Switching Arrangements) Rules 2008 r58.1).

Greymouth only has domestic ICPs (group 4 and 6) and group 1 TOU ICPs with telemetry, so there is no need for them to evaluate their customers usage against the 10TJ threshold.

## 3.3 Meter Reading Requirements (rules 29.4.3, 29.5 & 40.2)

All consumer installations with non-TOU meters must have register readings recorded at least once every 12 months unless exceptional circumstances prevent such an interrogation (rule 29.4.3).

Greymouth has a policy of reading all non-TOU ICPs once a month on the last day of the month. If one is missed for any reason they follow up immediately to ensure they are not missed for more than a month or so. Their GAS080s show they had no examples of any ICPs that hadn't been read in over 4 or over 12 months. This was tested during the audit by viewing the meter reads for a sample of ICPs across allocation groups, but no examples of sites not being read for over 4 months were found. The GAS080s are therefore considered to be accurate.

## 3.4 Non-TOU Validation

Greymouth have a separate tab on their workbook for every ICP and apply sense checks to validate the non-TOU data, alongside the monthly check of allocation group. No concerns arose from the review of these processes.

### **3.5 Non-TOU Error Correction**

Examples of situations where non-TOU ICPs required corrections were found and reviewed while on site. No issues arose.

### **3.6 TOU Validation**

The Vector team perform validations on Greymouth's data and send it to Greymouth daily, so anything unusual is likely to be identified within the month and resolved before the month end.

The TOU data received from Vector is checked for "Y" in the column that identifies if any adjustments have been made to the data by the Vector team. If this is identified Greymouth query the nature of and reason for the adjustment with Vector.

Greymouth also perform data validation activities including graphs for each site of HDR data, reviewing data for unusual profiles and comparison with customer nominations, in addition to the validation that has already been done by the Vector team. Anything unusual will also be identified because the monitoring of their balancing and peaking pool will highlight the anomaly.

The Greymouth workbook also contains validation checks completed at an aggregate level to look for data issues.

## **4. Energy Consumption Calculation (rule 28.2)**

Greymouth only perform an energy conversion calculation for a handful of domestic ICPs. This is done within their Excel workbook. The calculation was reviewed as a part of this audit, to ensure all relevant correction factors were being applied and to verify all components of the calculation could be traced back to source.

It was noted during the last audit that Greymouth do not perform a compressibility calculation and recommended that they do so for any non TOU sites with meter pressures over 50 kPa. It was noted that Greymouth still do not adjust for compressibility, but that they also do not have any sites with meter pressure over 50 kPa. They were aware of the need to change if they acquired new sites with higher meter pressures in the future.

No issues arose from this review.

## **5. Estimation and Submission Information**

### **5.1 TOU Estimation and Correction (rule 30.3)**

Greymouth showed the auditor examples of both temporary and permanent TOU corrections. It is Greymouth policy to have the Vector team perform any TOU corrections, as they have more

experience in this area and also may have access to some information from site. Greymouth provide any additional insight they have relating to the customer relationship and their knowledge of the customer’s activities, including their nomination information, to the Vector team. Greymouth require all their TOU customers to provide regular nominations, so they are well informed of the expected gas use.

## 5.2 Provision of Retailer Consumption Information (rules 30 to 33)

A sample ‘initial’ file and also an ‘interim’ and ‘final’ submission file were reviewed for accuracy. The data for one submitted gas gate was reviewed against Greymouth system data to ensure the Greymouth data had been accurately submitted. It was also verified that the aggregate figures were the correct summation of the values for individual ICPs at that gate.

This demonstrates that consumption information provided to the Allocation Agent is calculated at ICP level and then aggregated and matches the data held in Greymouth systems.

Greymouth do not have any INACT ICPs so there is no risk that consumption by any INACT sites could have been missed from submission files.

## 5.3 Initial Submission Accuracy (rule 37.2)

Rule 37.2 requires that the accuracy of consumption information, for allocation groups 3 to 6, for initial allocation must be within a certain percentage of error published by the industry body. The published percentage for the months analysed is 10%.

GMTH had no instances of the initial accuracy not meeting the 10% threshold over the 12 month period reviewed when a de minimis amount of 200 GJs was also used as a part of the test.

GMTH

Month	Total Gas Gates	Number Within +/- 10%	Within +/- 10% or < 200 GJ	% Compliant or immaterial
Sep 20	1	1	1	100%
Oct 20	3	3	3	100%
Nov 20	3	2	3	100%
Dec 20	2	0	2	100%
Jan 21	1	0	1	100%
Feb 21	1	1	1	100%
Mar 21	1	1	1	100%
Apr 21	1	1	1	100%
May 21	1	1	1	100%

<b>Jun 21</b>	1	1	1	100%
<b>Jul 21</b>	1	1	1	100%
<b>Aug 21</b>	1	0	1	100%

GREY

<b>Month</b>	<b>Total Gas Gates</b>	<b>Number Within +/- 10%</b>	<b>Within +/- 10% or &lt; 200 GJ</b>	<b>% Compliant or immaterial</b>
<b>Jan 21</b>	1	1	1	100%
<b>Feb 21</b>	1	1	1	100%
<b>Mar 21</b>	1	1	1	100%
<b>Apr 21</b>	1	1	1	100%
<b>May 21</b>	1	1	1	100%
<b>Jun 21</b>	1	1	1	100%
<b>Jul 21</b>	1	1	1	100%
<b>Aug 21</b>	1	1	1	100%

The following table shows the difference between consumption information for initial and final submissions at an aggregated level for all gas gates. This demonstrates compliance in 9 out of 12 months for GMTH, but with a de minimis level of 200 GJs applied there are no non-compliant months.

GMTH

<b>Month</b>	<b>Initial Submission All Gas Gates (GJ)</b>	<b>Final Submission All Gas Gates (GJ)</b>	<b>Percentage Variation</b>
<b>Sep 20</b>	93.835	96.522	-2.78
<b>Oct 20</b>	1232.831	1235.79	-0.239
<b>Nov 20</b>	1137.896	1060.536	7.294
<b>Dec 20</b>	48.755	95.358	-48.86
<b>Jan 21</b>	16.352	33.344	-50.96
<b>Feb 21</b>	32.636	32.304	1.03
<b>Mar 21</b>	64.287	64.287	0
<b>Apr 21</b>	87.683	87.683	0

<b>May 21</b>	132.066	134.284	-1.65
<b>Jun 21</b>	117.109	117.263	-0.13
<b>Jul 21</b>	170.495	170.495	0
<b>Aug 21</b>	0	191.189	-100

The only problematic month was August 2021 when Wells were unable to visit due to Covid alert levels so NIL was submitted. The difference is however below 200 GJs.

GREY

<b>Month</b>	<b>Initial Submission All Gas Gates (GJ)</b>	<b>Final Submission All Gas Gates (GJ)</b>	<b>Percentage Variation</b>
<b>Jan 21</b>	398.641	398.641	0
<b>Feb 21</b>	384.113	384.113	0
<b>Mar 21</b>	517.464	517.464	0
<b>Apr 21</b>	370.538	370.538	0
<b>May 21</b>	287.741	287.741	0
<b>Jun 21</b>	520.169	520.169	0
<b>Jul 21</b>	465.067	464.877	0.04

## 5.4 Historic Estimates (Rules 34 & 35)

To assist with determining compliance of the historic estimate processes, Greymouth was supplied with a list of scenarios. Greymouth provided an example for each relevant scenario and all examples were found to meet the test expectation.

<b>HE Scenarios</b>			
<b>Test</b>	<b>Scenario</b>	<b>Test Expectation</b>	<b>Result</b>
A	ICP becomes Active part way through a month	Consumption is only calculated for the Active portion of the month.	No examples
B	ICP becomes Inactive part way through a month.	Consumption is only calculated for the Active portion of the month.	Compliant

C	ICP's become Inactive then Active within a month.	Consumption is only calculated for the Active portion of the month.	No examples
D	ICP switches in part way through a month	Consumption is calculated to include the 1st day of responsibility.	Compliant
E	ICP switches out part way through a month	Consumption is calculated to include the last day of responsibility.	Compliant
F	ICP switches out then back in within a month	Consumption is calculated for each day of responsibility.	No examples
G	Continuous ICP with a read during the month	Consumption is calculated assuming the readings are valid until the end of the day	Compliant
H	Continuous ICP without a read during the month	Consumption is calculated assuming the readings are valid until the end of the day	Compliant
I	Rollover Reads	Consumption is calculated correctly in the instance of meter rollovers.	No examples

## 5.5 Proportion of Historic Estimates (rule 40.1)

This rule requires retailers to report to the Allocation Agent the proportion of historic estimates contained within the consumption information for the previous initial, interim and final allocations. Sample files were examined and no issues arose.

A permanent TOU correction was followed through to the 'final' submission file to confirm that the data had been flagged as "E" for estimate.

## 5.6 Forward Estimates (rules 34 & 36)

The rules do not prescribe how forward estimates are to be calculated. The need for forward estimates are rare as Greymouth customers are predominantly TOU and the few non-TOU customers they have the meters read on the last day of the month.

No issues arose.

## 5.7 Billed vs Consumption Comparison (rule 52)

A sample reconciliation of GAS070 data and billing data at an ICP level was completed to prove that the file included data for all the ICPs at the sample gas gate. No issues arose from this check.

The table below shows a comparison between quantities billed and consumption information submitted to the Allocation Agent for three years.

GREY

<b>Billed vs Consumption</b>				
<b>Year ending</b>	<b>Billed</b>	<b>Submission</b>	<b>Difference</b>	<b>% Difference</b>
Sept 2020	30,797	20,210	8,737	152
Sept 2021	25,214,975	24,445,569	680,914	103

GMTH

<b>Billed vs Consumption</b>			
<b>Billed</b>	<b>Submission</b>	<b>Difference</b>	<b>% Difference</b>
43,244,236	43,183,782	60,454	100
51,753,238	51,911,050	-158,943	100
38,650,340	39,186,255	-535,914	99

## 5.8 Gas Trading Notifications (Rule 39)

A retailer must give notice to the Allocation Agent when they commence, amend or cease gas supply under a supplementary agreement to a transmission services agreement. They must do this by the third business day of the month following the relevant consumption month of the change.

Greymouth had one new supplementary agreement which commenced 1 October 2019. Greymouth supplied an email chain demonstrating the Allocation Agent had been informed of the change in September 2019.

## 6. Conclusion

The audit found that the Greymouth control environment is “effective” for all areas evaluated.

One alleged breach has been raised in relation to an ICP where the allocation group was revised but the registry was not updated.

The report also makes the following recommendation:

**RECOMMENDATION:** Reinstating the SFTP system for the receipt of metering data would improve the audit trail.

## 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>