



GAS REGISTRY AND SWITCHING PERFORMANCE AUDIT GREYMOUTH GAS

Date of audit: 14 March 2023

Report completed: 30 March 2023

Under the Gas (Switching Arrangements) 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

Under the Gas (Switching Arrangements) Rules 2008 (the rules) the Gas Industry Company commissioned Langford Consulting to undertake a performance audit of Greymouth Gas New Zealand Ltd and Greymouth Gas Ltd (Greymouth).

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 the 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 Greymouth control environment, for the fifteen areas evaluated, is “effective” for fourteen areas and “not relevant” for one area.

No alleged breaches are made as a result of this audit. The following recommendation was made:

RECOMMENDATION: That altitude should be shown as a separate field in the Greymouth spreadsheet, and the altitude factor equation refer to the altitude field for the calculation. This would enable the altitude to be more readily verified against the registry.

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 Greymouth acting unreasonably were found
Obligation to use registry software competently	5	Effective	Compliant	No examples of Greymouth using software incompetently were found
ICP identifier on invoice	6	Effective	Compliant	The ICP identifier is on Greymouth invoices
Use of system agreements	7	Effective	Compliant	Greymouth supplied information demonstrating current agreements with all distributors
Uplift of READY ICP	8	Not relevant	Not relevant	Greymouth had not uplifted any READY ICPs
Maintenance of ICP information in registry	9	Effective	Compliant	There were no instances identified of the registry not being updated in a timely manner
Resolving discrepancies	10	Effective	Compliant	Checks had been increased from 6-monthly to quarterly
Initiation of consumer switch/switching notice	11.1	Effective	Compliant	Switches had been initiated on time
Response to a gas switching notice	11.2	Effective	Compliant	There was one example of a compliant switching date not being used by Greymouth until the date had been confirmed
Gas acceptance notice	11.3	Effective	Compliant	No issues were found with this process
Gas transfer notice	11.4	Effective	Compliant	No issues identified

Accuracy of switch readings	11.5	Effective	Compliant	No issues found
Gas switching withdrawal	11.6	Effective	Compliant	No issues found with this process
Switch reading negotiation	11.7	Effective	Compliant	The process appears to be working as it should.

Table of Contents

Executive Summary	i
Summary of report findings	ii
1. Introduction	1
2. General Compliance	1
2.1 Summary of Previous Audit	1
2.2 Switch Breach Report.....	2
2.3 Provision of information to the Auditor (rule 91)	2
3. Participant registration information (rules 7 and 10)	2
4. Obligation to act reasonably (rule 34).....	2
5. Obligation to use registry software competently (rule 35).....	2
6. ICP identifier on invoice (rule 36)	2
7. Use of system agreements (rule 65.2.3)	3
8. Uplift of READY ICP (rule 54)	3
9. Maintenance of ICP information in the registry (rules 58 to 61)	3
10. Resolving discrepancies (rule 62.1).....	4
11. Switching.....	4
11.1 Initiation of consumer switch / switching notice (rules 65 to 67).....	4
11.2 Response to a gas switching notice (rules 69 to 75)	5
11.3 Gas acceptance notice (rule 70)	5
11.4 Gas transfer notice (rule 72)	5
11.5 Accuracy of switch readings (rule 74)	5
11.6 Gas switching withdrawal (rule 74A, 75, 76, 78).....	5
11.7 Switch reading negotiation (rule 79, 81)	6
12. Bypass of distributor (rule 82)	6
13. Breach Allegations.....	6
14. Conclusion	6
Appendix 1 Control Rating Definitions.....	8

1. Introduction

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

The engagement included a site visit to Greymouth's offices in Auckland on 14 March 2023.

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

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

Greymouth use a spreadsheet to hold the relevant registry information and to manage its switching processes. There had been no fundamental system changes since the last audit.

2.1 Summary of Previous Audit

Greymouth was last audited in June 2017. 10 of the 14 areas evaluated were found to be compliant. Two breach allegations were made in relation to the remaining areas:

- GGNZ records should be reconciled to the registry at least quarterly. All registry notification files received should be reviewed promptly, to determine whether ICP records need to be updated.
- All four GTNs issued contained some incorrect information.

The following recommendations were also made:

- Implementing an automated or manual check for switch files on the registry each business day, to ensure files are identified and actioned on time.
- GGNZ records should be reconciled to the registry at least quarterly to ensure that data discrepancies are identified promptly.

2.2 Switch Breach Report

Greymouth has received three breach notices since the last audit, two for GMTH and one for GREY. Jade alleged a breach against GREY in December 2019 with 4 underlying breaches under r67.3 (requesting a switch date more than 10 business days out) ; Jade also alleged a breach against GMTH in Dec 2019 with 4 underlying breaches under r69.2 (supplying a GTN within 10 business days); Langford Consulting alleged a breach under r58.1 (maintaining current and accurate information in the registry) in October 2022.

2.3 Provision of information to the Auditor (rule 91)

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

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

3. Participant registration information (rules 7 and 10)

The participant registration information was reviewed. The information recorded for both GREY and GMTH was found to be current.

4. Obligation to act reasonably (rule 34)

No examples of Greymouth acting unreasonably were found.

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

No examples of Greymouth using registry software incompetently were found.

6. ICP identifier on invoice (rule 36)

Examples of 2 Greymouth invoices were viewed, one for GREY and one for GMTH, one was for a large TOU customer and one for a domestic ICP, both showed accurate ICP numbers.

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.

Greymouth provided material to evidence they held an agreement in place with all four distribution companies.

Detail has been redacted for confidentiality reasons.

8. Uplift of READY ICP (rule 54)

Greymouth have not been involved in the uplift of a READY ICP since the date of the last audit. All their current ICPs were created prior to 2017 with the exception of one ICP which was set up by another retailer.

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).

An analysis of the Greymouth participant status events was undertaken to see how promptly the registry was being updated. The rules do not define a specific period. The data has been assessed against a “two-tiered” target of 90% within 5 business days and 100% within 20 business days.

The event detail report was examined for events from the start of 2019 to check the timeliness of all status event changes. The table below shows the results of this examination.

Status Updates	Total ICPs	Update greater than 5 business days	Update greater than 20 business days
GMTH			
INACP	1	1	Nil
TOTAL	1	100%	Nil

This status update was paired with a legitimate connection status code.

GREY has done no status updates during the period.

There were no examples of updates that took over 20 business days to review.

The auditor checked for any examples of INACT that were not being reviewed/updated in a timely fashion, but GMTH and GREY only had statuses of either ACTC or DECR. All ICPs showing that meters had been removed were shown with a status of DECR. No examples of status inconsistent with other registry information were found.

10. Resolving discrepancies (rule 62.1)

The last audit made the recommendation that Greymouth should do a routine check of their systems against the registry to confirm there were no discrepancies more regularly.

Greymouth now check the information held in their system against the information in the registry once a quarter, an increase on the once every 6 months at the time of the last audit. The check is done manually by logging on to the front end of the registry website and viewing all the relevant fields and confirming they match those held in the Greymouth spreadsheet.

Although the check was manual, the audit showed that it was being undertaken effectively and the auditor considered it an acceptable approach for the number of Greymouth ICPs.

The information held by Greymouth in its own systems was verified against the registry as a part of the audit. There was only one discrepancy identified, a difference in altitude for one ICP. The difference was slight and any impact would be well below the maximum permissible error.

OBSERVATION: Greymouth manage their metering and consumption data within a spreadsheet. The registry fields are mostly shown as a separate field that can be readily checked against the front end of the registry. However, the altitude is not shown separately but instead included directly in the equation calculating the altitude factor.

RECOMMENDATION: That altitude should be shown as a separate field in the Greymouth spreadsheet, and the altitude factor equation refer to the altitude field for the calculation. This would enable the altitude to be more readily verified against the registry.

11. Switching

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

The processes for the initiation of a switch were reviewed for compliance with the requirements to be sent within 2 business days of entering a contract to supply gas to the consumer, along with a review of a sample of GNTs (notice to transfers). (r66.1)

Greymouth had initiated 25 switches since the beginning of 2019, all of these were reviewed, some were switches between GMTH and GREY. Several were initiated more than 2 business days after entering into the contract, but these were entered into more than 12 business days prior to the commencement of supply so are not breaches under r66.1 (see rule 66.1.1).

All GNTs for switch type S were reviewed for compliance with r67.3 to ensure switch dates were not being backdated. No breaches were found.

All GNTs for switch type S and SM were reviewed for compliance with r67.3 and 67.3A to check they weren't sent more than 10 business days prior to the switch date. No breaches were found.

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

The auditor reviewed all the GNTs received by GREY and GMTH, all were responded to with GANs within 2 business days.

11.3 Gas acceptance notice (rule 70)

The GANs (acceptance notices) initiated by Greymouth were reviewed for compliance with the switch date rules in r70.2 and r72.2. There was one example where Greymouth didn't use the suggested switch date. Greymouth explained that this related to the fact that the switching date did not correspond with the contractual dates. After discussion with the new retailer the switch did ultimately occur on the originally proposed date. An alleged breach has not been raised as instructions have been given to Jade not allege breaches of this type as there will be no material issue arising.

11.4 Gas transfer notice (rule 72)

The breach report for Greymouth since the last audit showed one alleged breach with 4 underlying breaches relating to r69.2 (responding to a switch notice within 10 business days with a GTN). This was alleged in December 2019 and there had been no instances since.

A sample of GTNs (transfer notices) where Greymouth was the responsible retailer were reviewed for compliance with r72. No issues were found.

11.5 Accuracy of switch readings (rule 74)

The accuracy of switch readings was examined as a part of the activities detailed in section 11.4 above. There are no additional issues to report in this section.

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

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

These were reviewed on site, no issues arose.

GNW (received by GREY or GMTH)

	CR	DF	MI	UA	WP	WS	Total	% of GNTs
Old						2	2	
New	1						1	

GNW (initiated by GREY or GMTH)

	CR	DF	MI	UA	WP	WS	Total	% of GNTs
Old				1		4	5	
New							0	

11.7 Switch reading negotiation (rule 79, 81)

There were no instances of Greymouth initiating a GNC (notice of change).

There was one instance of Greymouth receiving a GNC. This was reviewed on-site. The GAC was sent within the 5 business days of receiving the GNC. There were no concerns arising from the review.

12. Bypass of distributor (rule 82)

Greymouth 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.

14. Conclusion

The audit shows the Greymouth control environment for the fifteen areas evaluated, is “effective” for fourteen areas and “not relevant” for one area.

No breach allegations are made as a result of this audit.

The following recommendation is made:

RECOMMENDATION: That altitude should be shown as a separate field in the Greymouth spreadsheet, and the altitude factor equation refer to the altitude field for the calculation. This would enable the altitude to be more readily verified against the registry.

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>