



GAS REGISTRY AND SWITCHING PERFORMANCE AUDIT VECTOR GAS TRADING LTD

Date of audit: 1 to 4 November 2021

Report completed: 9 February 2022

Under the Gas (Switching Arrangements) Rules 2008 the Gas Industry Company commissioned Langford Consulting to undertake a performance audit of Vector Gas Trading 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

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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 OnGas control environment, for the fifteen areas evaluated, is “effective” for eleven areas and “adequate” for two areas and “not adequate” for two areas.

Two breach allegations are made in relation to OnGas regarding the non-compliant areas and are summarised in the following table. The following observations and recommendations were also made:

OBSERVATION: For a time OnGas were operating without a current use of system agreement in place with First Gas Ltd for distribution services. This has since been remedied with an interim agreement that will be replaced by a new Use of System Agreement. Work on this new agreement is underway.

OBSERVATION: It was noticed that OnGas no longer monitor the RSREADY report for new ICPs and instead rely on information from key account managers regarding new ICPs.

RECOMMENDATION: The regular monitoring of the RSREADY report might assist OnGas with compliance of the deadline for entering retailer fields in the registry for new ICPs.

RECOMMENDATION: That OnGas update its processes surrounding updating ICP status to improve the timeliness and accuracy of status changes. This should include a process to decide the appropriate status update for ICP's where a meter has been removed, which includes a discussion with the customer and the network owner. They should also introduce a routine review of INACTs.

Summary of breach allegations

Section	Summary of issue	Rules potentially breached
8	Of the four new ICPs reviewed all four were found to have had their ICP parameters entered late by the retailer	r54
11.1	The GNT was not initiated within 2 business days of entering into a contract for 6 out of 17 ICPs	r66.1

Summary of report findings

Issue	Section	Control Rating (refer to appendix 1 for definitions)	Compliance Rating	Comments
Participant registration information	3	Effective	Compliant	OnGas had updated its details
Obligation to act reasonably	4	Effective	Compliant	No examples of OnGas acting unreasonably were found
Obligation to use registry software competently	5	Effective	Compliant	No examples of OnGas using software incompetently were found
ICP identifier on invoice	6	Effective	Compliant	The ICP identifier is on OnGas invoices
Use of system agreements	7	Adequate	Compliant	OnGas had been operating without an agreement but have put a temporary letter in place and a new agreement is being developed
Uplift of READY ICP	8	Not adequate	Not compliant	Registry details are routinely being entered late
Maintenance of ICP information in registry	9	Adequate	Compliant	Status updates are being done late and ICPs are being made INACT without subsequent review
Resolving discrepancies	10	Effective	Compliant	A monthly check between systems has been reinstated
Initiation of consumer switch/switching notice	11.1	Not adequate	Not compliant	6 out of 17 switches had been initiated late
Response to a gas switching notice	11.2	Effective	Compliant	No issues
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 breach allegations	ii
Summary of report findings	iii
1. Introduction	1
2. General Compliance	1
2.1 Summary of Previous Audit	1
2.2 Switch Breach Report.....	3
2.3 Provision of information to the Auditor (rule 91)	3
3. Participant registration information (rules 7 and 10)	3
4. Obligation to act reasonably (rule 34).....	3
5. Obligation to use registry software competently (rule 35).....	3
6. ICP identifier on invoice (rule 36)	3
7. Use of system agreements (rule 65.2.3)	3
8. Uplift of READY ICP (rule 54)	4
9. Maintenance of ICP information in the registry (rules 58 to 61)	5
10. Resolving discrepancies (rule 62.1).....	6
11. Switching.....	7
11.1 Initiation of consumer switch / switching notice (rules 65 to 67).....	7
11.2 Response to a gas switching notice (rules 69 to 75)	7
11.3 Gas acceptance notice (rule 70).....	8
11.4 Gas transfer notice (rule 72)	8
11.5 Accuracy of switch readings (rule 74)	8
11.6 Gas switching withdrawal (rule 74A, 75, 76, 78).....	8
11.7 Switch reading negotiation (rule 79, 81)	8
12. Bypass of distributor (rule 82)	9
13. Breach Allegations.....	9
14. Conclusion	9
Appendix 1 Control Rating Definitions.....	11
Appendix 2 Alleged Breach Detail	12

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 Vector Gas Trading Ltd (OnGas). The audit was commissioned under rule 88 and was conducted within terms of reference prepared by GIC.

The engagement commenced on 29 June 2021 and involved a site visit to the retailer on 1 to 4 November 2021.

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

OnGas use Gentrack for billing, Flow2E for energy calculation and an Access database called Apollo with a front end called Artemis as its analytical tool/data warehouse. Apollo/Artemis had been implemented since the last audit. They also have a suite of spreadsheet validation checks to assist with the billing/switching/reconciliation processes and the management of metering data.

2.1 Summary of Previous Audit

OnGas was last audited in 2017. A summary of the alleged breaches and recommendations is as follows:

Section	Summary of issue	Rules potentially breached
3	Physical address information on registry out of date	r10.1.1
7	Incorrect status update. ACTC was entered into the registry prior to the contract with the customer being entered into for 3 ICPs and with effect from the wrong date for 1 ICP.	r58

8	There were 13 instances of status event changes exceeding 30 days	r61.1
10.1	The GNT was not initiated within 2 business days of entering into a contract for 3 ICPs	r66.1
10.4	Miscellaneous errors on 4 GTNs. <ul style="list-style-type: none"> • a reading was reported as estimated when it was actual. • an incorrect last actual read date was reported • the GTNs for two ICPs relating to the same customer switched on the same day were swapped. 	r72.1

OBSERVATION: When OnGas used the Kinetic system for billing they ran a monthly check to ensure their internal systems and the registry were aligned for all registry fields. However, since the move to Gentrack this process had not been reinstated. With anticipated growth in the number of ICPs being managed, and the passage of time since regular checks were done, it can be anticipated growing misalignment between the registry and OnGas systems could occur

RECOMMENDATION: The auditor recommends that a regular check between OnGas systems and the registry be reinstated.

OBSERVATION: It was noted that OnGas, as a retailer for larger consumers, tends to start new contracts from the first of the month and that the process of putting a contract in place and getting it signed off can be time consuming. It was noted by the auditor that OnGas was using "SM" instead of "S" as the switch type in some of its GNTs so that it could backdate the start date to the beginning of the month.

RECOMMENDATION: It is recommended that registry processes be revised so that retailers can achieve this outcome for "S" switches without having to use the incorrect code of "SM".

OBSERVATION: During the audit OnGas made an observation regarding registry processes. It is their understanding that the electricity registry rejects invalid requests, whereas the gas registry accepts them and then raises a breach. For example, if a retailer requests a GNT with an invalid switch date the gas registry accepts this but then raises a breach.

RECOMMENDATION: The gas registry be changed such that invalid requests are rejected rather than first being accepted and then later raising a breach.

2.2 Switch Breach Report

OnGas has received four breach notices since the beginning of 2018 with 5 underlying breaches. One related to rule 72.2 (using the requested switch date and providing readings applicable to that date) two related to rule 58.1 (maintaining current and accurate information in the registry) and two relating to 69.2 (responding to a switch notice within 10 business days).

2.3 Provision of information to the Auditor (rule 91)

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

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

3. Participant registration information (rules 7 and 10)

The participant registration information was reviewed. It was last updated in September 2021 and found to be up to date.

4. Obligation to act reasonably (rule 34)

No examples of OnGas acting unreasonably were found.

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

No examples of OnGas using registry software incompetently were found.

6. ICP identifier on invoice (rule 36)

An example of an OnGas invoice was viewed and was found to show the 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. As a part of previous audits where Vector Gas Trading Ltd was acting as agent for other retailers, the auditor had requested sight of the current use of system agreements with the gas distributors. The auditor had conducted a brief review of the use of system agreement documentation immediately available at the premises. There was evidence of Vector gas

Trading Ltd having a use of system agreement with all of the four current distributors, but this initial review suggested those with First Gas Ltd and GasNet (Wanganui) had expired. Those with Vector Ltd and Powerco looked as if they may still be current as no expiry date could be identified.

Since the earlier audit of Vector Gas Trading Ltd as agent for other retailers, OnGas had contacted the relevant distributors and requested written confirmation of there being an agreement between them. These confirmations were provided to the auditor as a part of this audit.

It was noted that the correspondence dated 19/2/2021 with Firstgas acknowledged that they had no record of there being a current agreement with Vector Gas Trading Ltd for the use of Firstgas distribution networks. To remedy the situation Firstgas is in the process of producing a new standardised Use of System Agreement for use by all retailers.

To provide a degree of certainty meanwhile, Firstgas has agreed to abide by a letter of intent signed between Vector Ltd, Vector Gas Ltd and OnGas in June 2014, prior to the Firstgas purchase of Vector's distribution assets, alongside a list of conditions and acknowledgments. This agreement will end once the new Use of System Agreement is in place.

It is also noted OnGas do not currently have any ICPs on the GasNet network.

OBSERVATION: For a time OnGas were operating without a current use of system agreement in place with First Gas Ltd for distribution services. This has since been remedied with an interim agreement that will be replaced by a new Use of System Agreement. Work on this new agreement is underway.

8. Uplift of READY ICP (rule 54)

To comply with rule 54, it is necessary for a retailer, once the ICP status is changed to READY by the distributor, to enter registry ICP parameters, including ICP status and valid connection status, within 2 business days of entering a contract to supply with the consumer.

OnGas were the responsible retailer for 9 ICPs created since the beginning of 2019. The new connections process for these ICPs was therefore reviewed for compliance with both the switching and the reconciliation rules. Compliance with the reconciliation rules is reported on in the associated audit report. Four of the new ICPs were reviewed in detail for compliance with the rules.

ALLEGED BREACH: Of the four new ICPs reviewed all four were found to have had their ICP parameters entered late by the retailer (r54)

Further details can be found in appendix 2.

OBSERVATION: It was noticed that OnGas no longer monitor the RSREADY report for new ICPs and instead rely on information from key account managers regarding new ICPs.

RECOMMENDATION: The regular monitoring of the RSREADY report might assist OnGas with compliance of the deadline for entering retailer fields in the registry for new ICPs.

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 OnGas 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
ACTC	24	22	9
ACTV	15	8	3
INACP	9	9	5
INACT	14	11	5
TOTAL	73	81%	42%

A review of the updates that took over 20 business days highlighted the need for improved processes, particularly with regard to ICPs where the meter was removed.

Also, there is currently no systematic review of ICPs with a status of INACT, which should only be a temporary status.

A recent observation from the First Gas audit noted that there are a large number of ICPs in the registry where the retailer has the status designated as inactive temporary, which prevents ICPs from being decommissioned. Many of these are likely to be inactive permanent.

OnGas is the responsible retailer for 66 ICPs with a status of INACT (out of total ICPs of 295 ICPs).

RECOMMENDATION: That OnGas update its processes surrounding updating ICP status to improve the timeliness and accuracy of status changes. This should include a process to decide the appropriate status update for ICP's where a meter has been removed, which includes a discussion with the customer and the network owner. They should also introduce a routine review of INACTs.

	No of status events	Paired with
ACTC	24	GAS
ACTV	15	GAS
DECR	11	GDE
INACP	8	GPM
INACP	1	GPC
INACT	1	GNC
INACT	6	GNM
INACT	1	GVC
INACT	6	GVM

An analysis of status codes was done and is shown in the table above. The ICP status codes were all paired with legitimate connections status codes.

10. Resolving discrepancies (rule 62.1)

The OnGas SSIS transfer protocol schedules registry and allocation data to Gentrack and the Apollo database at set intervals multiple times a day. Flow2E updates separately and had been audited as a part of another recent audit.

During the last audit it was observed that since the migration from Kinetic to Gentrack, OnGas was no longer doing routine checks between their systems and the registry. It was recommended this be reinstated.

This audit can confirm that OnGas do now have regular checks between systems. There is a monthly check between Flow2E, Gentrack, Apollo and the registry.

Audit checks between OnGas systems and the registry were made for the gas gate; meter pressure; altitude; no of dials and multiplier fields. Differences were found but they were either trivial, such as altitudes within a few meters, related to ICPs that were no longer active or fields that were not relevant such as meter pressure for a TOU site. No issues arose.

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)

OnGas had initiated 17 switches since the beginning of 2019, all were reviewed and six were found not to have been initiated within 2 business days of the contract being entered into, and not to have been entered into more than 12 business days of the commencement date.

ALLEGED BREACH: The GNT was not initiated within 2 business days of entering into a contract for 6 out of 17 ICPs (r 66.1)

See appendix 2 for the alleged breach detail.

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.

It was noted in the previous audit that OnGas, as a retailer for larger consumers, tends to start new contracts from the first of the month and that the process of putting a contract in place and getting it signed off can be time consuming. OnGas was using "SM" instead of "S" as the switch type in some of its GNTs so that it could backdate the start date to the beginning of the month. Market Administrator Guideline September 2015, switching rules paragraph 6, states the following:

If a gas switching notice (GNT) for a standard switch contains a requested switch date that is before the date that the GNT was delivered to the registry, but in the same month as the GNT delivery, then, in the absence of any other information, there is no likelihood that this will raise a material issue and it need not be alleged as a breach of rule 67.3 by the Registry Operator.

The Market Administrator Guideline indicates that a backdated standard switch shouldn't be alleged as a breach by the Registry Operator. However, this has not yet been implemented as a compliance threshold rule in the registry, thus a breach would still be alleged if a retailer used "S" not "SM". Due to this ambiguity no alleged breach has been made for the use of "SM" in this manner.

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

The breach report for OnGas since the beginning of 2018 was reviewed. There were no breaches of 69.1 (the requirement to respond to a gas switching notice within 2 business days) which was an improvement on the previous audit. The OnGas process is for the switch notice to go to Gentrack which sends an automatic GAN, consequently there are no 2 business days breaches in the response.

11.3 Gas acceptance notice (rule 70)

A sample of GANs (acceptance notices) initiated by OnGas were reviewed for compliance with the switch date rules in r70.2 and r72.2. No breaches were found.

11.4 Gas transfer notice (rule 72)

The breach report for OnGas since the beginning of 2018 was reviewed. This showed two breaches relating to r69.2 (responding to a switch notice within 10 business days with a GTN).

OnGas finalise a customer for transfer by loading any available reads, prior to Gentrack creating the GTN.

A sample of GTNs (transfer notices) where OnGas was the responsible retailer were reviewed for compliance with r72. No additional breaches 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 OnGas 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 OnGas)

	CR	DF	MI	UA	WP	WS	Total	% of GNTs
Old	2	1	1				4	
New					1		1	

GNW (initiated by OnGas)

	CR	DF	MI	UA	WP	WS	Total	% of GNTs
Old	1	5		3		2	11	
New							0	

11.7 Switch reading negotiation (rule 79, 81)

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

There were 2 instances of OnGas receiving a GNC. These were all reviewed and no issues were found. Both instances resulted in OnGas sending a GAC file. It was confirmed that switch reading response notices were sent within the 5 business days of the receipt of the GNC.

The process appears to be working as it should.

12. Bypass of distributor (rule 82)

OnGas is not the retailer on a bypass network so they have no responsibility under r82.

13. Breach Allegations

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14. Conclusion

The summary of report findings shows that the OnGas control environment, for the fifteen areas evaluated, is “effective” for eleven areas and “adequate” for two areas and “not adequate” for two areas.

Two breach allegations are made in relation to OnGas regarding the non-compliant areas and are summarised in section 13. The following observations and recommendations were also made:

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OBSERVATION: It was noticed that OnGas no longer monitor the RSREADY report for new ICPs and instead rely on information from key account managers regarding new ICPs.

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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>

Appendix 2 Alleged Breach Detail

Initiation of switches

ICP		Event date	Event entry	Date entered into contract
0000361941QT6B6	GNP-9505297	18/02/2021	16/03/2021 14:44	27/01/2021
001409767QT08D	GNP-8785292	1/07/2019	14/08/2019 15:55	05/08/2019
0008000192NGB65	GNP-8510796	1/01/2019	10/01/2019 17:35	21/12/2018
1001143910VT443	GNP-9427688	1/01/2021	13/01/2021 14:27	21/12/2020
1001147727QT0E1	GNP-8547251	1/02/2019	12/02/2019 17:15	31/01/2019
0004228892NG944	GNP-8548720	1/02/2019	13/02/2019 12:00	31/01/2019

Uplift of ready ICPs

1000578640PG62B READY 27/3/19

OnGas already held an overarching contract with the owning property company entered into in 2018.

OnGas claimed and entered a status of ACTC 21/5/19 with effective date of 26/3/19

1000591079PG859 READY 13/1/21

OnGas entered into a contract on 7/4/21.

It was only claimed and made ACTC in the registry on 21/4/21, prompted by the receipt of a charge from the distributor.

1001298216NG11A READY on 1/11/19

OnGas entered into a contract on 15/8/19

It was claimed by OnGas and made INACT on 12/12/19 with an event date of 1/11/19

1001298408NGE2A READY on 29/11/19

OnGas entered into a contract on 31/3/20

The ICP was claimed and made ACTC on 19/6/20