

Schedule 1

Terms of reference for distributor and meter owner performance audits under Switching Arrangements Rules and Downstream Reconciliation Rules

Under the Gas (Switching Arrangement) Rules 2008 (Switching Rules), Gas Industry Co must arrange performance audits of registry participants at intervals of no greater than five years. Under the Switching Rules, the term 'registry participant' includes retailers, distributors and meter owners. These terms of reference relate to the obligations of distributors and meter owners, as audits of other participants will necessarily involve different obligations under the Switching Rules.

Rule 88.2 of the Switching Rules provides that:

- 88.2** The purpose of a performance audit under this rule is to assess, in relation to the role or roles performed by a **registry participant** —
 - 88.2.1** The performance of the **registry participant** in terms of compliance with these **rules**; and
 - 88.2.2** The systems and processes of that **registry participant** or that **allocation participant** in terms of compliance with these **rules**;

Similarly, under the Gas (Downstream Reconciliation) Rules 2008 (Downstream Rules), Gas Industry Co must arrange performance audits of 'allocation participants' at regular intervals. Under the Downstream Rules, the term 'allocation participant' includes retailers, distributors, meter owners and transmission system owners. This document relates specifically to the terms of reference that apply to performance audits for distributors and meter owners, as audits of other participants will necessarily involve different obligations under the Downstream Rules.

Rule 65.2 of the Downstream Rules provides that:

- 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**; and

65.2.3 Whether, after the implementation of an intended change notified under rule 65.4, the **allocation agent** or that **allocation participant** will be, or will be able to be, compliant with these **rules**.

Gas Industry Co has identified specific matters that a distributor and meter owner audit must assess in the tables below. However, the audit must comply with the Switching Rules and Downstream Rules, and the Consultant is expected to be familiar with the requirements of the Switching Rules and Downstream Rules that apply to gas distributors, meter owners and performance audits. To the extent that there is any misalignment between these Terms of Reference and the requirements of the Rules, the relevant Rules will apply.

Unless otherwise specified, all references to 'Rule(s)' in the following tables are references to the Switching Rules. The Rules will only apply to the extent that the industry participant is a 'meter owner' or a 'distributor' as defined in the relevant Rules.

1. Obligations common to distributors and meter owners

Rules(s)	Issue	Audit of participant systems and processes: Auditors will evaluate the following aspects of registry participants' operations:	Audit of participant compliance with the Rules: Auditors will:
7, 10	Participant registration information	<ul style="list-style-type: none"> • Process for keeping information and contact details up-to-date 	<ul style="list-style-type: none"> • Confirm the distributor's/meter owner's participant details are maintained correctly in the registry.
34	Obligation of registry participants to act reasonably		<ul style="list-style-type: none"> • Audit the distributor's/meter owner's interactions with the registry and other registry participants to identify any issues.
35	Obligation of registry participants to: <ul style="list-style-type: none"> • use software for the registry competently • use the operator's support services • have a nominated manager responsible for communications with the registry 	<ul style="list-style-type: none"> • Processes and policies for use of registry software • Processes and policies for use of support services related to the registry • Processes and policies for communications with the registry 	<ul style="list-style-type: none"> • Review the distributor's/meter owner's use of the registry software and identify any exceptions where the distributor has not used registry software in a competent manner leading to errors. • Review the distributor's/meter owner's use of support services related to registry software and identify any exceptions to this Rule. • Confirm that the distributor/meter owner has a nominated manager who is responsible for communications with the registry and that the person is correctly identified in the registry, and by the Registry Operator, as the contact person.
	General compliance	Processes developed as a result of a determination or recommendation made by the market administrator, market investigator or rulings panel	Check for closure of unresolved issues from previous performance audits

2. Obligations for distributors

Rules(s)	Issue	Audit of participant systems and processes: Auditors will evaluate the following aspects of registry participants' operations:	Audit of participant compliance with the Rules: Auditors will:
5.2, 43.1, 43.2	Assignment of ICPs	Processes to assign an ICP identifier for each ICP on the distributor's network	<ul style="list-style-type: none"> • Obtain an appropriately-sized sample of ICPs¹ from the distributor's databases. The sample should include both TOU and non-TOU ICPs with respective sample sizes for each category reflecting their population size. • Perform a walk-through for the sample ICPs, confirming the process for assigning an ICP identifier and identifying any issues. • Validate the process for assigning the numerical distributor sequence and verify that the unique distributor code assigned by Gas Industry Co is utilised and that the algorithm supplied by Gas Industry Co is used to calculate the checksum. • Confirm that the distributor has a process in place that ensures that there are no ICPs downstream of other ICPs. • Confirm that the distributor has a process in place for ensuring that ICPs have a single set of compliant metering equipment.

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.

Rules(s)	Issue	Audit of participant systems and processes: Auditors will evaluate the following aspects of registry participants' operations:	Audit of participant compliance with the Rules: Auditors will:
51.2, 51.3, 53.1,53.4	Creation of new ICPs	Processes to assign an ICP to a new consumer installation Processes to update new ICP information in the gas registry	For a sample of ICPs newly created in the previous 60 months: <ul style="list-style-type: none"> • Confirm that the distributor assigned an ICP to new consumer installations (or notified the retailer of the reason why it was unable to assign an ICP) within 3 business days of receiving a request • Confirm that the distributor populated the registry with new ICP information within two business days of receiving confirmation that that ICP was connected to its distribution system. • Validate processes used to create and correctly populate ICP information on the registry, as listed in Schedule 1, Part A of the Rules ('distributor ICP information'). Particular focus should be placed on factors affecting billing accuracy, including network pressure, ICP altitude and network price category

Rules(s)	Issue	Audit of participant systems and processes: Auditors will evaluate the following aspects of registry participants' operations:	Audit of participant compliance with the Rules: Auditors will:
5.2, 58.1, 58.2, 59.11, 59.12, 60, 61.1, 62	Maintenance of ICP information in the gas registry	<ul style="list-style-type: none"> • Processes to ensure distributor related ICP information held on the registry is accurate and up to date • Processes to monitor NEW ICPs and update parameter values and status to READY as appropriate • Processes to decommission an ICP and update its status in the registry • Processes to identify incorrect information in the registry and to enter corrections in the registry • Processes to review the distributor report and to resolve discrepancies 	<ul style="list-style-type: none"> • Validate processes used to maintain accurate distributor ICP information in the registry. Confirm consistency with information held on the distributor's database. Particular focus should be placed on factors affecting billing accuracy as listed previously. • Select a sample of notifications of changes to the registry. Confirm that ICP status changes to READY are being conducted appropriately and in a timely manner. • Examine the distributor's decommissioning process, including updating the registry in a timely manner. • Confirm that appropriate controls for maintaining and validating information in the registry are in place. • Examine the distributor's processes for reviewing the distributor report and confirm that discrepancies are resolved in a timely manner.
45.1, 45.2	Notices of gas gate creation/decommissioning	Processes to ensure that the distributor informs the industry body, the registry operator, the allocation agent and all affected retailers of any gas gate creation or decommissioning	Select all instances of gate creation or decommissioning. Confirm notification to parties is within 20 business days before the creation or decommissioning takes effect.
46	Network price category codes	Processes to determine, maintain and publish network prices	Confirm price category codes are published.
50	Disclosure on application	Processes to determine commercially sensitive information Processes to disclose information on application	<ul style="list-style-type: none"> • Identify instances where information was withheld in accordance with rule 50 • Assess whether requests for disclosure of information have been handled as required

Rules(s)	Issue	Audit of participant systems and processes: Auditors will evaluate the following aspects of registry participants' operations:	Audit of participant compliance with the Rules: Auditors will:
47.1, 47.2, 48	Loss factor codes	Processes to determine and maintain network loss factor codes	<ul style="list-style-type: none"> • Validate the process to alter/create a loss factor by entering the loss factor on the registry • Select a sample of instances where network loss factor codes have changed. Confirm notification of the change has been given to the registry operator, the allocation agent and all affected retailers within 20 days before the change takes effect.

3. Obligations for meter owners

Rules(s)	Issue	Audit of participant systems and processes: Auditors will evaluate the following aspects of registry participants' operations:	Audit of participant compliance with the Rules: Auditors will:
26.5 (Downstream Reconciliation Rules)	Accuracy of information	Processes to ensure TOU downloads are accurate and complete.	If TOU downloads or converted consumption is provided to participants: <ul style="list-style-type: none"> • Examine meter owner's controls for making sure information is complete, accurate and converted in accordance with NZS 5259 if applicable • Check at least two downloads for each register content type for reasonableness/obvious issues
		Processes to ensure retailer queries about metering are dealt with in a timely manner	<ul style="list-style-type: none"> • Check processes to deal with retailer queries about meter accuracy. • Check processes to deal with meter faults, particularly those affecting the retailer's ability to read the meter (e.g. condensation in register, damaged register, etc) • Check the timeframes for faults not related to safety issues Review a sample of ten instances to confirm compliance
		Processes to ensure meter pressure is correct	Compare meter pressure on the registry with the meter design code for reasonableness. Smaller meters are expected to have lower pressures.

Rules(s)	Issue	Audit of participant systems and processes: Auditors will evaluate the following aspects of registry participants' operations:	Audit of participant compliance with the Rules: Auditors will:
27 (Downstream Reconciliation Rules)	Metering equipment accuracy	Processes to ensure metering equipment complies with NZS 5259 Processes to measure metering margin of error and verify that it is in accordance with NZS 5259	For samples of: <ul style="list-style-type: none"> ○ Newly installed meters; ○ Meters that have been in service for over ten years; ○ Meters that have been refurbished and returned to service Samples should include industrial, commercial, and residential metering equipment types. <ul style="list-style-type: none"> ● Examine metering equipment documentation to assess compliance with NZS 5259 ● Where a meter has previously been found to be faulty, examine meter owner's process of problem identification, resolution, and return of meter to service (if applicable)
49	Metering price codes	Processes to determine, publish, and maintain a schedule of metering price codes	<ul style="list-style-type: none"> ● Confirm up to date schedule of metering price codes is published ● Confirm that schedule of metering price codes has been provided to the registry participants with whom it contracts
50	Disclosure on application	Processes to determine commercially sensitive information Processes to disclose information on application	<ul style="list-style-type: none"> ● Identify instances where information was withheld in accordance with rule 50 ● Assess whether requests for disclosure of information have been handled as required

Rules(s)	Issue	Audit of participant systems and processes: Auditors will evaluate the following aspects of registry participants' operations:	Audit of participant compliance with the Rules: Auditors will:
56	Meter owner information for new ICPs	Processes for receiving and validating metering information Processes for entering metering information in the registry	<ul style="list-style-type: none"> • Examine internal processes for confirming metering equipment installation and receiving and validating metering information • For a sample of new metering installations, confirm that metering information has been entered into the registry within 2 business days of installation confirmation • Validate process for ensuring information entered into the registry is correct. Particular focus should be placed on factors affecting billing accuracy, including meter pressure, register multiplier, and register reading digits.
58, 61, 62	Maintenance of ICP information in the registry	<ul style="list-style-type: none"> • Processes to ensure metering ICP information held on the registry is accurate and up to date • Processes to identify incorrect information in the registry and to enter corrections in the registry • Processes to review the meter owner report and to resolve discrepancies 	<ul style="list-style-type: none"> • Validate processes used to maintain accurate metering ICP information in the registry. Confirm consistency with information held on the meter owner's database. Particular focus should be placed on factors affecting billing accuracy as listed previously. • Confirm that appropriate controls for maintaining and validating information in the registry are in place. • Examine processes for reviewing the meter owner report and confirm that discrepancies are resolved in a timely manner.