

# Establishment Service Description

For the Allocation Agent Service Provider Agreement

Gas Industry Company Limited

Transpower New Zealand Limited

Dated 4 October 2013

## VERSION CONTROL

<b>Version</b>	<b>Date</b>	<b>Comments</b>	<b>Author</b>
1	3 Sept 2013	For short-listed suppliers.	The Industry Body
1.1	20 Sep 2013	EMS comments with GIC response	EMS/GIC
2	1 Oct 2013	Updated following initial discussions.	Elwood Law
3	2 Oct 2013	Updated following negotiation meeting.	Elwood Law
3.1	3 Oct 2013	Tweaks for NFSs	Elwood Law
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## **PARTIES**

**Gas Industry Company Limited** a company whose registered office is at Wellington (*the Industry Body*)

**Transpower New Zealand Limited** a company whose registered office is at Wellington (*the Service Provider*)

## **BACKGROUND**

- A. This Service Description is entered into under the General Terms for the Allocation Agent Service Provider Agreement, that were executed by the parties on or about the date of this Service Description.
- B. This Service Description describes the Project required to establish the Services that are to be provided by the Service Provider under the separate On-Going Service Description.

## **AGREEMENT**

### **1 DEFINITIONS**

#### **1.1 Existing Definitions**

A word or expression that is defined in the Rules or the General Terms has the same meaning in this Service Description, unless the context requires otherwise. So that this Service Description may be read without cross-reference to the Rules or the General Terms, words and expressions that the documents have in common may have their definition replicated in clause 1.2 (Additional Definitions).

#### **1.2 Additional Definitions**

In this Service Description, unless the context requires otherwise:

**Acceptance** and **Accepted** have the meaning given in clause 4.5 (Acceptance).

**Acceptance Testing** means such testing on the Parallel System as the Industry Body requires in order to identify Faults.

**Acceptance Testing Period** means the Milestone during which the Industry Body may perform Acceptance Testing on the Parallel System, provided that the Acceptance Testing Period will be extended:

- (a) by a Business Day for each Business Day that any Priority 1 Fault identified during Acceptance Testing has not been Resolved; and
- (b) if otherwise agreed between the parties.

**Agreement** means the General Terms together with any document executed by the parties that is expressed to be entered into under the General Terms, including:

- (a) this Service Description; and
- (b) the On-going Service Description,

and their Schedules.

**Allocation Participant** has the meaning given to it in the Rules. At the Commencement Date, Allocation Participant means a retailer, distributor, meter owner, or transmission system owner (all as defined in the Rules).

**Allocation System** means the Allocation System under the On-Going Service Description.

**Business Day** has the meaning given to it in the Rules. At the Commencement Date, Business Day means any day of the week except:

- (a) Saturday and Sunday; and
- (b) any day that Good Friday, Easter Monday, ANZAC Day, the Sovereign's Birthday, Labour Day, Christmas Day, Boxing Day, New Year's Day, the day after New Year's Day, and Waitangi Day are observed for statutory holiday purposes; and
- (c) any other day which the Industry Body has determined not to be a business day as published by the Industry Body.

**Commencement Date** means the date that the General Terms were executed by both parties.

**Contract Variation Process** means the process set out in clause 18 (Contract Variations) of the General Terms.

**Deliverable** includes any one of the "Deliverables" described in clause 3.4 (Deliverables).

**Expert Determination** means a determination in accordance with clause 15.4 (Option for Expert Determination) of the General Terms.

**Fault** means a failure of the Parallel System to meet its Requirements.

**General Terms** means the General Terms referred to in Background A, as modified in accordance with the Contract Variation Process.

**Go Live Date** means the date, notified in writing by the Industry Body to the Service Provider in accordance with Milestone 7, on which the Allocation System will go live. On the Go Live Date:

- (a) this Service Description ends and the On-Going Service Description commences; and
- (b) the Parallel System becomes the Allocation System.

**Good Practice** means the exercise of that degree of skill, diligence, prudence, foresight and economic management that would reasonably be expected from a skilled and experienced provider of the Services and Deliverables.

**Live System** means the allocation system provided by NZX Limited up until the Go-Live Date, as defined in the Allocation Agent Service Provider Agreement between NZX Limited and the Industry Body.

**Milestone** means the activities, and their corresponding dates or periods, that are specified as "Milestones" in clause 3.5 (Milestones), as those dates or periods may be updated in accordance with clause 3.6 (Milestone Extensions).

**On-Going Service Description** means the Service Description of that name that was entered into by the parties on or about the date of the General Terms, as modified in accordance with the Contract Variation Process.

**Parallel System** means the system established by the Service Provider under this Service Description with the intention of it becoming the Allocation System under the On-Going Service Description.

**Personnel:**

- (a) means, in respect of an entity, any director, officer, employee, contracted staff member or other worker of that entity, or of that entity’s agents or contractors, who are involved in the provision of the Services and Deliverables; and
- (b) excludes, in respect of the Industry Body, all Personnel of the Service Provider.

**Priority**, in respect of any Fault, means whichever priority out of **P1** (Urgent), **P2** (High), **P3** (Normal) or **P4** (Low) is most appropriate to the Fault, determined by objectively assessing the impact or potential impact of the Fault on the Milestones, and the urgency by which a Resolution is needed in order avoid that impact, as follows:

Priority		Impact		
		Low	Medium	High
Urgency	High	P3	P2	P1
	Medium	P4	P3	P2
	Low	P4	P4	P3

**Project** means all activities required to achieve the Project Objectives, whether those activities are performed by the Service Provider, the Industry Body or third parties.

**Project Objectives** means the objective(s) in clause 3.1 (Project Objective).

**Project Plan** means the Deliverable agreed by the parties under clause 3.5 (Milestones), as modified from time to time by agreement in writing between the parties in accordance with clause 5.2 (Amending the Project Plan).

**Requirements**, in respect of any Deliverable, means the requirements corresponding to that Deliverable as specified in clause 3.4 (Deliverables).

**Resolution**, in respect of any Fault, means a permanent resolution to the Fault such that the relevant Requirements are now met, including:

- (a) correcting all data corrupted by the Fault; and
- (b) successfully testing the Resolution,

and **Resolve** and **Resolved** have corresponding meanings.

**Service** means any service provided (or that is to be provided) by the Service Provider under the Agreement.

**Website** means the Gas Allocation Portal available at [www.gasreconciliation.co.nz](http://www.gasreconciliation.co.nz) or at any backup or replacement URL, as modified by the Service Provider under this Service Description.

2 **TERM**

2.1 **Term**

The Project will commence on the Commencement Date and, unless the Agreement is terminated earlier, will continue until the Go Live Date.

### 3 **PROJECT**

#### 3.1 **Project Objective**

The objective of the Project is to establish and test the Services to be provided by the Service Provider under the On-Going Services Description.

#### 3.2 **Service Provider Responsibilities**

Subject to clause 3.3 (Industry Body Assistance), responsibility for meeting the Project Objectives rests with the Service Provider. This includes the Service Provider, in accordance with this Service Description and Good Practice:

- (a) meeting its Milestones;
- (b) providing the Deliverables meeting their respective Requirements; and
- (c) meeting its obligations under the Project Plan.

#### 3.3 **Industry Body Assistance**

As reasonably required to assist the Service Provider to meet its obligations in clause 3.2 (Service Provider Responsibilities), the Industry Body will:

- (a) meet its Milestones;
- (b) provide the following assistance and resources of a material nature:
  - (i) The following items from NZX Limited:
    - (A) Full export of existing production database, and potentially UAT/Test if there are any variations in versions within each environment.
    - (B) All source code for the Allocation System - including Ruby on Rails, HTML, JavaScript, Images, StyleSheets, Oracle PL/SQL, and database schema.
    - (C) All files for the Allocation System (eg Oracle, Rails and application server configuration).
    - (D) Initial versions of the documentation to be provided by the Industry Body under clause 7.2 (Operational Documents) of the On-Going Service Description.
    - (E) Regression test scripts and supporting test data.
  - (ii) Ad-hoc testing support.
  - (iii) In a timely fashion, co-operation and support for orderly transitioning from the allocation system provided by NZX Limited.
- (c) meet its obligations under the Project Plan; and
- (d) provide all assistance and resources of a non-material nature that are reasonably requested by the Service Provider from time to time in writing.

### 3.4 Deliverables

The Deliverables are as follows. If there is any conflict between any of the Requirements for any particular Deliverable, then those Requirements will apply in the descending order listed in the table (e.g. Requirement (a) has priority over Requirement (b)).

Deliverable Description	Requirements
<b>Project Plan.</b> A detailed plan of all activities and resources required to complete the Project in accordance with this Service Description.	The Project Plan must: <ul style="list-style-type: none"> <li>(a) include the Project Objectives and all relevant critical success factors, activities, resources, schedules, management, risks, constraints, dependencies and assumptions;</li> <li>(b) be realistic and highly likely to achieve the Project Objectives if implemented;</li> <li>(c) clearly separate the responsibilities of each party;</li> <li>(d) not require any assistance or resources of a material nature from the Industry Body, other than those specifically described in clause 3.3 (Industry Body Assistance); and</li> <li>(e) meet Good Practice.</li> </ul>
<b>Parallel System.</b> A complete version of the Allocation System to run in parallel with the Live System (in order to confirm that the Parallel System is operating as required by the On-Going Service Description).	The Parallel System must: <ul style="list-style-type: none"> <li>(a) produce the same outputs as the Live System, with the same inputs;</li> <li>(b) meet all requirements for the Allocation System under the On-Going Service Description, provided that the non-functional specifications included in the definition of System Specification only apply following the Go Live Date in accordance with the On-Going Service Description;</li> <li>(c) perform in a way that is fit for purpose and facilitates efficient and effective allocation and reconciliation; and</li> <li>(d) be ready for production use.</li> </ul>
<b>On-Going Services.</b> The Services under the On-Going Service Description.	The On-Going Services must be ready for provision in accordance with the On-Going Service Description.
<b>Parallel Run Report.</b> A report confirming the extent to which the Parallel System and On-Going Services met their Requirements.	The Parallel Run Report must <ul style="list-style-type: none"> <li>(a) be accurate and include all relevant information;</li> <li>(b) be fit for its intended purpose; and</li> <li>(c) be written in clear, concise and plain English.</li> </ul>

### 3.5 Milestones

Each party's Milestones for the Project are as follows:

#	Date	Activity	Party Responsible
1.	Within 1 week following the Commencement Date.	Provide the Service Provider with the items listed in clause 3.3(b)(i).	The Industry Body
2.	Within 1 week after the completion of Milestone #1.	Provide draft Project Plan to the Industry Body meeting its Requirements.	The Service Provider
3.	Within 1 week after the completion of Milestone #2.	In good faith, use all reasonable endeavours to agree the Project Plan.	Both parties
4.	Within 3 weeks after the completion of Milestone #3.	Establish the Parallel System for internal testing	The Service Provider
5.	For 1 week after the completion of Milestone #4.	Acceptance Testing Period for the Parallel System.	The Industry Body
6.	Within 2 weeks after Acceptance of the Parallel System.	Provide a Parallel Run Report and achieve Acceptance of the Parallel	The Service Provider



		System.	
7.	Within 1 week after the completion of Milestone #6.	Notify the Service Provider of the Go Live Date.	The Industry Body
8.	Go Live Date.	Make the Parallel System available as the Allocation System at <a href="http://www.gasreconciliation.co.nz">http://www.gasreconciliation.co.nz</a> .	The Service Provider

### 3.6 Milestone Extensions

The Industry Body may extend any Milestone date on written notice to the Service Provider. Each Milestone of the Service Provider will be extended to the extent required as a result of any breach of this Agreement by the Industry Body, but only if the Service Provider notifies the Industry Body in writing of the extension it requires and the reason for it promptly following the breach and in any event before the Milestone date concerned. Either party may refer to Expert Determination, the determination of the extent of such extension as a result of the Industry Body's breach.

## 4 ACCEPTANCE

### 4.1 Entry Criteria

The Service Provider will not provide the Parallel System to the Industry Body for Acceptance Testing until it has completed its own testing to ensure the Parallel System meets its Requirements and no more than the following number of Faults have not been Resolved:

Priority of Fault	Number of Faults
P1	None
P2	2
P3	5
P4	10

When providing the Parallel System for Acceptance Testing, the Service Provider must give the Industry Body the results of the Service Provider's testing and certify the number of Faults of each Priority that have not been Resolved.

### 4.2 Acceptance Testing

- (a) The Industry Body may carry out Acceptance Testing of the Parallel System during the Acceptance Testing Period.
- (b) The Service Provider will provide all assistance with Acceptance Testing that is reasonably requested by the Industry Body.

### 4.3 Fault Resolution

During the Acceptance Testing Period the parties will identify and Resolve Faults as follows. The Service Provider will maintain a register to allow parties to report and monitor the status of Faults.

Stage	Who	Action	Fault Status
<b>Test</b>	The Industry Body or the Service Provider	Report each suspected Fault as "Open", including its Priority as reasonably determined by the reporting party.	<b>Open</b>
<b>Verify</b>	The Service Provider	Promptly report any additional information required for the Service Provider to confirm whether the item is a Fault.	<b>Information Required</b>

Stage	Who	Action	Fault Status
	The Industry Body	Promptly report the Fault as "Open" once the additional information is provided.	<b>Open</b>
	The Service Provider	Promptly report each "Open" item as "Not a Fault" if the Service Provider considers it is not a Fault.	<b>Not a Fault</b>
<b>Resolve</b>	The Service Provider	Promptly Resolve each Fault and, when Resolved, report it as "Resolved".	<b>Resolved</b>
	The Service Provider	Redeliver the Parallel System to the Industry Body and change status from "Resolved" to "Delivered".	<b>Delivered</b>
<b>Close</b>	The Industry Body	Test "Delivered" and "Not a Fault" items and if the status is: <ul style="list-style-type: none"> <li>• verified, change the status to "Closed".</li> <li>• not verified, change the status to "Re-Open".</li> </ul> The Service Provider will provide such assistance as the Industry Body reasonably requires to verify that status.	<b>Closed</b> or <b>Re-Open</b>

#### 4.4 Amending Priorities

The Industry Body may increase or decrease the Priority of any Fault if its impact or urgency changes or was not correctly recorded.

#### 4.5 Acceptance

The Parallel System will only be considered to have been accepted by the Industry Body (**Acceptance** or **Accepted**) if:

- (a) the Industry Body notifies the Service Provider in writing that the Parallel System is accepted; or
- (b) the Industry Body does not advise the Service Provider of any Faults within the Acceptance Testing Period; or
- (c) the only Faults that remain in the Parallel System are insignificant in relation to its intended use.

#### 4.6 Conditional Acceptance

The Industry Body may Accept the Parallel System with a number of identified Faults. Notwithstanding such Acceptance, the Service Provider will promptly (and at least within three months of any request from the Industry Body to do so) Resolve all Faults that are notified in writing to the Service Provider prior to Acceptance.

#### 4.7 Acceptance Failure

If the Parallel System fails to achieve Acceptance by the end of its Acceptance Testing Period, or any further Acceptance Testing Period under this clause, the Industry Body may in addition to any other remedy:

- (a) require the Service Provider to correct the failure:
  - (i) promptly and in any event no longer than the initial Acceptance Testing Period for the Parallel System; or
  - (ii) such longer period as the parties agree in writing;
- (b) following correction under subclause (a), perform further Acceptance Testing for any duration no longer than the original Acceptance Testing Period for the Parallel System

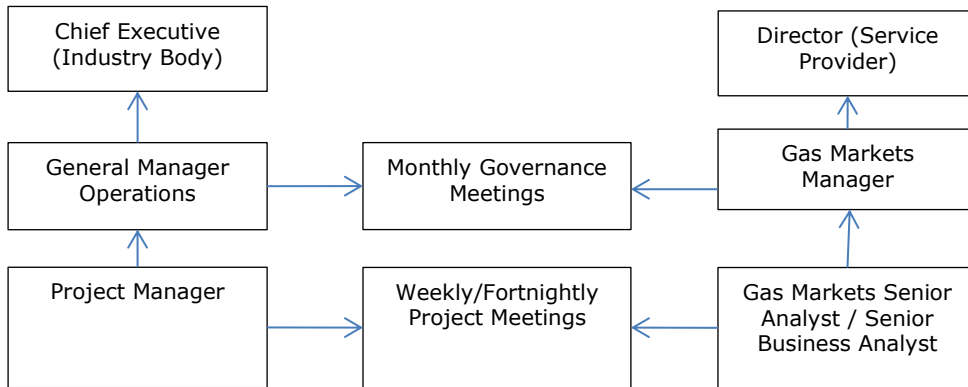
(the provisions of this clause 4 (Acceptance) would re-apply to the further Acceptance Testing Period); and

- (c) where the Parallel System fails to achieve Acceptance by the end of its second or any subsequent Acceptance Testing Period, treat the failure as a Serious Breach.

## 5 PROJECT MANAGEMENT

### 5.1 Project Governance

The Project will be governed in accordance with the following model.



### 5.2 Amending the Project Plan

If requested by either party from time to time, the parties will, in good faith, use all reasonable endeavours to agree amendments to the Project Plan so that it continues to meet its Requirements.

### 5.3 Project Plan has no Priority

To avoid doubt, under clause 1.3 (Order of Priority) of the General Terms, the Project Plan is subject to the provisions of this Service Description. So if the parties wish to vary the Project as set out in this Service Description, this Service Description itself must be varied in accordance with the Contract Variation Process as amending only the Project Plan would not over-ride the Service Description.

### 5.4 Key Personnel

- (a) The Service Provider acknowledges that involvement of the following Personnel of the Service Provider (**Key Personnel**) are important to ensuring the success of the Project. The individuals undertaking these roles will be named in the Project Plan.

Role	Level of Involvement
Gas Market Manager	EMS Governance Group / Business Owner
Commercial and Finance Manager	EMS Governance Group
Senior Business Analyst	Transitional Business Analysis / Testing / Operational Establishment
Gas Market Analyst	Allocation Agent Service Analysis / Testing / Operational Establishment
Project Manager	Project Steering and Governance
I.T. Manager	Infrastructure Support

- (b) The Service Provider will ensure that its Key Personnel have the level of involvement in the Project as is specified above, except to the extent:

- (i) they become unavailable due to:
    - (A) sickness, death or reasonable authorised leave; or
    - (B) ceasing to be an officer, agent, employee or contractor of the Service Provider; or
  - (ii) the Industry Body agrees otherwise in writing.
- (c) The Service Provider will give the Industry Body as much notice as possible of any proposed change in its Key Personnel, and the parties will act in good faith to agree a suitable replacement.
- (d) Any change of the Service Provider’s Key Personnel will be subject to a transition plan being agreed with the Industry Body, and must be achieved by the Service Provider in a manner that does not detrimentally affect the Services or the Charges.

### 5.5 Project Reports

The Service Provider will report to the Industry Body on the Project as reasonably required by the Industry Body from time to time, including the following reports:

Report	Content	Audience / Frequency
<b>Governance Report</b>	<ul style="list-style-type: none"> <li>(a) Overview of progress to date, including how the Project is tracking against Milestones.</li> <li>(b) Key issues for resolution at Governance Meeting, including recommendations.</li> <li>(c) Other matters requested by the Industry Body.</li> </ul>	The Industry Body’s General Manager Operations Two Business Days before each Governance Meeting
<b>Project Report</b>	<ul style="list-style-type: none"> <li>(a) Progress to date, including how the Project is tracking to schedule, scope and resources.</li> <li>(b) Accomplishments (deliverables, milestones, tasks completed) during the reporting period.</li> <li>(c) Planned activity for the next reporting period.</li> <li>(d) Open:               <ul style="list-style-type: none"> <li>• dependencies (including decisions required of the Industry Body);</li> <li>• risks; and</li> <li>• issues.</li> </ul> </li> <li>(e) Recommendations.</li> <li>(f) Other matters requested by the Industry Body.</li> </ul>	The Industry Body’s Project Manager Before each Project Meeting

### 5.6 Project Meetings

The Service Provider will meet with the Industry Body in relation to the Project as reasonably required by the Industry Body from time to time, including the following meetings:

Meeting	Agenda	Attendees / Frequency
<b>Governance Meeting</b>	<ul style="list-style-type: none"> <li>(a) Progress</li> <li>(b) Issues</li> <li>(c) Risks</li> <li>(d) Next steps</li> </ul>	The Industry Body’s General Manager Operations and Project Manager. The Service Provider’s Business Owner and Project Manager. Monthly (convened by the Service Provider).
<b>Project Meeting</b>	<ul style="list-style-type: none"> <li>(a) Progress</li> <li>(b) Issues</li> <li>(c) Risks</li> <li>(d) Next steps</li> </ul>	The Industry Body’s Project Manager. The Service Provider’s Key Project Staff. Weekly or less frequently as agreed by the Industry Body (convened by the Service Provider).

5.7 **Escalation**

If the Service Provider’s Project Manager believes that any delay, outside of any agreed tolerances in the Project Plan, is possible to any of the Milestones, then the Project Manager will immediately escalate the possibility of delay to both contacts in the next escalation level in the table below. All other issues in relation to the Project should be raised between the parties in a timely and proactive manner. If any issue is not being resolved to the reasonable satisfaction of either party, then any contact below may escalate the issue to the other contact at the same escalation level, and those contacts will use reasonable endeavours to promptly resolve the issue until it is escalated to a higher level.

Escalation Level	The Industry Body’s Contacts	The Service Provider’s Contacts
First	Project Manager	Project Manager
Second	General Manager Operations	Gas Markets Manager - EMS
Third	Chief Executive	Director - EMS

6 **PROJECT CHARGES**

The Service Provider’s fees and expenses for the Project are recoverable by the Service Provider solely as Charges under the On-Going Service Description and not this Service Description.

**SIGNATURES**

**Gas Industry Company Limited** by:



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Signature

Name: Steve Brelby  
Title: Chief Executive  
Date: 04.10.13

**Transpower New Zealand Limited** by:



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Signature

Name: KIERAN DEVINE  
Title: C.M. System Ops.  
Date: 04/10/13