

POWERCO LIMITED
Participant allegedly in breach

**Record of settlement of alleged breaches of rule 26.5 of the
Gas (Downstream Reconciliation) Rules 2008**

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Breach notices: **2014-141**
 2014-155
 2014-158
 2014-167

Participant allegedly in breach: **Powerco Limited**

Background

1. The Market Administrator referred¹ alleged breaches of rule 26.5 of the Gas (Downstream Reconciliation) Rules 2008² by Powerco Limited³ to an investigator, Jason McHerron, for investigation.
2. The alleged breaches relate to Powerco's failure as a gas distributor to maintain correct altitude information on the registry for 20 consumer installations (ICPs).

Why is correct altitude information important?

3. Having correct altitude information for each ICP on the registry is important to ensure consumers are billed accurately for the gas they use. Gas meters at each ICP measure the volume of gas flowing through the meter. Customers are not billed by volume, however, but instead for the amount of energy they have used. Measured volume is converted to energy quantity, for billing purposes, according to a process set out in the relevant Rules.⁴ How much energy a given volume of gas represents depends on a number of factors influencing the molecular content of the gas, one of which is altitude.⁵
4. Gas distributors, such as Powerco, must maintain current and accurate altitude information on the registry for the ICPs for which they are responsible.⁶ Altitudes should be correct to within 10m, if possible.⁷ All other variables being equal, altitude figures within approximately 90m of the actual altitude will ensure an accuracy of $\pm 1.0\%$.⁸

¹ Under Gas Governance (Compliance) Regulations 2008, regs 18(3) and 23.

² Hereafter "Reconciliation Rules".

³ Hereafter "Powerco".

⁴ Reconciliation Rules, rule 28.2; NZS 5259:2002, at 2.7.

⁵ See Gas (Downstream Reconciliation) Rules 2008 Billing Factors Guideline Note, 22 December 2011, at 2.1.

⁶ Gas (Switching Arrangements) Rules 2008, rule 58, Schedule, part A.

⁷ NZS 5259:2004, Note from 2004 Amendment, p 38.

⁸ See, eg, Gas Downstream Reconciliation Performance Audit Final Report for Energy Direct NZ Limited dated 25 November 2014, at p 16. NZS 5259:2004, Table 3, p 16.

The facts underlying the alleged breaches

5. In conducting the following retailer performance audits in 2014,⁹ the auditor, Steve Woods, became aware of information which led him to notify alleged breaches against distributors, including Powerco.

Energy Direct NZ – alleged breach 2014-141

6. In the audit of Energy Direct NZ, Mr Woods checked the altitude information for the ICPs listed on the registry as having an altitude of zero, against Google Earth data.¹⁰
7. Of the 21 Powerco ICPs with zero altitude, seven were within 20m of the “correct” altitude according to Google Earth (allowing for the ± 10 m margin of error for such data) and 17 were within 90m of the “correct” altitude. On the basis of that information, Mr Woods concluded that four of the zero-altitude ICPs breached the 1.1% tolerance allowed by NZS 5259:2004, because they were more than 90m outside the “correct” altitude.¹¹
8. Mr Woods noted that once distributors (in this case Powerco) populated the Registry with correct altitude figures, Energy Direct NZ would adjust its data, which would result in an adjustment to consumption information.¹²

Contact Energy Limited – alleged breach 2014-155

9. In his audit of Contact Energy Limited, Mr Woods checked a sample of 30 ICPs for which Powerco was the distributor and the altitude was recorded as zero.¹³ Of these, 18 were within 20m of the “correct” altitude according to Google Earth (allowing for the ± 10 m margin of error for such data) and 25 were within 90m of the “correct” altitude. On the basis of that information, Mr Woods concluded that five of the zero-altitude ICPs breached the 1.1% tolerance allowed by NZS 5259:2004, because they were more than 90m outside the “correct” altitude.¹⁴ Mr Woods noted that, by the time his report was completed, Powerco had corrected the registry for the ICPs found to have been in breach.¹⁵

⁹ Under rule 65 of the Reconciliation Rules.

¹⁰ Energy Direct NZ Audit Report at pp 16-17. Mr Woods also checked altitude data for a sample of ICPs with an altitude greater than zero and found no Powerco ICPs with inaccurate altitudes. Mr Woods noted that a number of recent studies had indicated that Google Earth altitude data, which is based on shuttle radar topography mission results, is accurate to ± 10 m.

¹¹ Ibid at p 17.

¹² Ibid at p 17.

¹³ Gas Downstream Reconciliation Performance Audit Final Report for Contact Energy Limited dated 5 December 2014 at p 20. The Contact Energy Audit Report records that Powerco was the distributor for 20,001 of Contact Energy’s 62,151 ICPs. Of the 20,001 Powerco ICPs, 252 were recorded as having an altitude of zero.

¹⁴ Ibid at p 20.

¹⁵ Ibid at p 20.

Genesis Energy Limited – alleged breach 2014-158

10. In his audit of Genesis Energy Limited, Mr Woods checked a sample of 36 ICPs for which Powerco was the distributor and the altitude was recorded as zero.¹⁶ Of these, 12 were within 20m of the “correct” altitude according to Google Earth (allowing for the ± 10 m margin of error for such data) and 29 were within 90m of the “correct” altitude. On the basis of that information, Mr Woods concluded that seven of the zero-altitude ICPs breached the 1.1% tolerance allowed by NZS 5259:2004, because they were more than 90m outside the “correct” altitude.¹⁷

Nova Energy Limited – alleged breach 2014-167

11. In his audit of Nova Energy Limited, Mr Woods checked a sample of 38 ICPs for which Powerco was the distributor and the altitude was recorded as zero.¹⁸ Of these, 12 were within 20m of the “correct” altitude according to Google Earth (allowing for the ± 10 m margin of error for such data) and 36 were within 90m of the “correct” altitude. On the basis of that information, Mr Woods concluded that two of the zero-altitude ICPs breached the 1.1% tolerance allowed by NZS 5259:2004, because they were more than 90m outside the “correct” altitude.¹⁹
12. There were two additional ICPs where Mr Woods found altitude discrepancies after the audit report was finalised so the total number of ICPs affected was 20, not 18.

Settlement

13. Powerco admits that it breached rule 26.5 of the Reconciliation Rules.
14. Powerco has:
- 14.1. corrected the altitude information for the 20 ICPs that were identified as having incorrect altitude data in Powerco’s system and in the registry; and
 - 14.2. deleted any address records not currently attached to any ICP, in order to avoid new ICPs inheriting inaccurate altitude data from a historic address record.
15. Powerco has also conducted a comparison exercise to align its CWMS data with the Powerco geographic information system (GIS) (which is based on LINZ data)

¹⁶ Gas Downstream Reconciliation Performance Audit Final Report for Genesis Energy Limited dated 5 December 2014 at p 20. The Genesis Energy Audit Report records that Powerco was the distributor for 45,720 of Genesis Energy’s 114,171 ICPs. Of the 45,720 Powerco ICPs, 163 were recorded as having an altitude of zero.

¹⁷ Ibid at p 20.

¹⁸ Gas Downstream Reconciliation Performance Audit Final Report for Nova Energy Limited dated 17 December 2014 at p 23. The Nova Energy Audit Report records that Powerco was the distributor for 19,353 of Nova Energy’s 30,973 ICPs. Of the 19,353 Powerco ICPs, 81 were recorded as having an altitude of zero.

¹⁹ Ibid at p 24.

to within a $\pm 10\text{m}$ range, and to update the gas registry accordingly. This exercise was completed on 9 June 2015 and will be repeated quarterly.

16. In its comparison exercise, Powerco found that 910 of its 120,024 ICPs (excluding inactive permanent and decommissioned statuses) had inaccurate altitude, of which 88 ICPs were inconsistent by more than $\pm 90\text{m}$. The altitude data for these 910 ICPs were corrected at the registry on 9 June 2015. A further 370 ICPs were found to have duplicated GIS altitudes, but Powerco has since corrected the altitude data recorded for these ICPs.

Were other parties affected by the breaches?

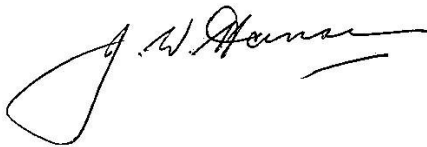
17. No other parties sought to be joined to these alleged breaches. Powerco advised that it was unable to determine the precise impact that incorrect altitude has had on customers affected. Mr Woods estimated that the likely impact is immaterial.

Acceptance of party to settlement

18. Powerco Limited notified its acceptance of the terms of settlement in writing to the investigator on 16 July 2015.
19. On 15 July 2015, the reporting entity, Steve Woods of Veritek Limited, notified the investigator pursuant to regulation 32(3)(b) of the Gas Governance (Compliance) Regulations 2008 that he did not want to be involved in endeavouring to effect a settlement.

Rulings Panel

I approve this settlement pursuant to regulation 34 of the Gas Governance (Compliance) Regulations 2008.



Hon Sir John Hansen KNZM

Date: 16 July 2015