## **VECTOR 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: 2014-140

2014-154 2014-156 2014-166 2014-168

Participant allegedly in breach: Vector Limited

#### Background

1. The Market Administrator referred<sup>1</sup> alleged breaches of rule 26.5 of the Gas (Downstream Reconciliation) Rules 2008<sup>2</sup> by Vector Limited<sup>3</sup> to an investigator, Jason McHerron, for investigation.

2. The alleged breaches relate to Vector'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.<sup>4</sup> 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.<sup>5</sup>
- 4. Gas distributors, such as Vector, must maintain current and accurate altitude information on the registry for the ICPs for which they are responsible.<sup>6</sup> Altitudes should be correct to within 10m, if possible.<sup>7</sup> All other variables being equal, altitude figures within approximately 90m of the actual altitude will ensure an accuracy of ±1.0%.<sup>8</sup>

<sup>4</sup> Reconciliation Rules, rule 28.2, NZS 5259:2002, at 2.7.

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

<sup>&</sup>lt;sup>2</sup> Hereafter "Reconciliation Rules".

<sup>3</sup> Hereafter "Vector".

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

<sup>&</sup>lt;sup>6</sup> Gas (Switching Arrangements) Rules 2008, rule 58, Schedule, part A.

<sup>&</sup>lt;sup>7</sup> NZS 5259:2004, Note from 2004 Amendment, p 38.

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,<sup>9</sup> the auditor, Steve Woods, became aware of information which led him to notify alleged breaches against distributors, including Vector.

### Energy Direct NZ – alleged breach 2014-140

- 6. In the audit of Energy Direct NZ, Mr Woods checked the altitude information for a sample of 25 Vector ICPs (participant code NGCD), against Google Earth data.<sup>10</sup>
- 7. Of the 25 Vector ICPs sampled, 23 were within 20m of the "correct" altitude according to Google Earth (allowing for the ±10m margin of error for such data) and 24 were within 90m of the "correct" altitude. On the basis of that information, Mr Woods concluded that one of the ICPs breached the tolerance allowed by NZS 5259:2004, because it was more than 90m outside the "correct" altitude. Mr Woods also reviewed ICPs for which the altitude figure was zero on the registry, but Vector did not have any such ICPs.
- 8. Mr Woods noted that once distributors (in this case Vector) populated the Registry with correct altitude figures, Energy Direct would adjust its data, which would result in an adjustment to consumption information.<sup>12</sup>

#### Contact Energy Limited – alleged breaches 2014-154 and 2014-156

- 9. In his audit of Contact Energy Limited, Mr Woods checked a sample of 108 ICPs for which Vector was the distributor (74 for the participant code UNLG and 34 for the participant code NGCD).<sup>13</sup> Of these, 104 were within 20m of the "correct" altitude according to Google Earth (allowing for the ±10m margin of error for such data) and 106 were within 90m of the "correct" altitude.
- 10. Mr Woods also sampled 20 of the 183 Vector ICPs (all UNLG) recorded as having an altitude of zero. Of these, four were within 20m of the Google Earth altitude, and 19 were within 90m.<sup>14</sup>
- 11. On the basis of that information, Mr Woods concluded that three Vector ICPs (two NGCD and one UNLG) breached the tolerance allowed by NZS 5259:2004, because they were more than 90m outside the "correct" altitude. 15

Under rule 65 of the Reconciliation Rules.

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 Vector 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 ±10m.

<sup>&</sup>lt;sup>11</sup> Ibid at p 17.

<sup>&</sup>lt;sup>12</sup> Ibid at p 17.

Gas Downstream Reconciliation Performance Audit Final Report for Contact Energy Limited dated 5 December 2014 at p 18. The Contact Energy Audit Report records that, Vector was the distributor for 41,469 of Contact Energy's 62,151 ICPs. Of the 41,469 Contact Energy ICPs for which Vector was the distributor, 33,091 went under the participation code UNLG (representing former United Networks ICPs) and 8,377 went under the participation code NGCD.

<sup>&</sup>lt;sup>14</sup> Ibid at p 20.

12. Mr Woods noted that by the time his report was completed, Vector had corrected altitude information on the registry for the ICPs in respect of which he alleged Vector had breached the Rules.<sup>16</sup>

Nova Energy Limited – alleged breaches 2014-166 and 2014-168

- 13. In his audit of Nova Energy Limited, Mr Woods checked a sample of 50 ICPs for which Vector was the distributor (25 for each of the participant codes UNLG and NGCD).<sup>17</sup> Of these, 35 were within 20m of the "correct" altitude according to Google Earth (allowing for the ±10m margin of error for such data) and the same 35 were within 90m of the "correct" altitude.
- 14. Mr Woods also sampled 30 of the 285 Vector ICPs (all UNLG) recorded on the registry as having an altitude of zero. None of the sampled ICPs were within 20m of the Google Earth altitude, but 29 of them were within 90m.<sup>18</sup>
- 15. On the basis of that information, Mr Woods concluded that 16 of the ICPs (15 NGCD and one UNLG) breached the 1.1% tolerance allowed by NZS 5259:2004, because they were more than 90m outside the "correct" altitude.<sup>19</sup>

#### Settlement

- 16. Vector admits that it breached rule 26.5 of the Reconciliation Rules.
- 17. The registry was updated with the correct altitudes for the 20 ICPs identified as having incorrect altitude data in March 2015.
- 18. Vector has improved the source of its altitude data. It now uses a tool that allows it to obtain more accurate altitude data that is specific to each address.
- 19. Vector has ensured that its current processes for populating the registry with altitude data are more robust and it is confident that the altitudes that have recently been recorded in the registry are accurate.
- 20. Vector will refine its ICP data audit programme to reduce the likelihood of recurrence. Vector has a new framework for quality measures relating to the information provided by Vector to the gas registry. The framework assigns a priority rating of 1 to ICP altitude data, signifying that quality control measures will be carried out on a six-monthly basis. These measures include investigating data exception reports and correcting errors. In addition, statistical sample data inspection will occur on a regular basis, in which a random sample of ICPs will have all of their data metrics, including altitude, validated.

<sup>&</sup>lt;sup>15</sup> Ibid at p 20.

<sup>&</sup>lt;sup>16</sup> Ibid at p 20.

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 Vector was the distributor for 11,325 of Nova Energy's 30,973 ICPs. Of the 11,325 Vector ICPs, 285 were recorded as having an altitude of zero.

<sup>&</sup>lt;sup>18</sup> Ibid at p 23.

<sup>&</sup>lt;sup>19</sup> Ibid at pp 23-24.

- 21. Vector has prepared a set of altitude data for all its ICPs, using LINZ elevations. Vector compared this data to the corresponding gas registry altitude data in the gas registry. Many of the variances are small, but Vector identified 140 ICPs where the variance is greater than ±90m.
- Vector intends to update the altitude data relating to its ICPs on the registry. To do so, Vector needs to amend its own billing system, Gentrack, so that it is capable of updating the registry appropriately. Vector estimates this development and testing of Gentrack will take a month, before updates to altitude data can occur. Vector has sought feedback from Gas Industry Co on this proposal. Gas Industry Co accepts that Vector's proposal will resolve the issue that led to the breaches.
- 23. Vector agrees to inform the investigator when it has updated the registry with the altitude data for the 140 ICPs identified with a variance greater than ±90m.

#### Were other parties affected by the breaches?

24. No other parties sought to be joined to these alleged breaches. Vector 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

- 25. Vector Limited notified its acceptance of the terms of settlement in writing to the investigator on 5 August 2015.
- 26. On 23 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: 8 July 2015