



SWITCHING AUDIT TRUSTPOWER LTD

Date of audit: 20 to 24 February 2017

Report completed: 27 April 2017

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

Under the Gas (Switching Arrangements) Rules 2008 (the rules) the Gas Industry Company commissioned Langford Consulting to undertake a performance audit of Trustpower Ltd.

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 Trustpower's control environment, for the fourteen areas evaluated, is "effective" for nine areas, "adequate" for three areas and "not adequate" for two areas, the uplift of ready ICPs and the initiation of switch notifications.

Seven breach allegations are made in relation to Trustpower regarding the adequate and not adequate areas and are summarised in the following table. The following observation and recommendation was also made:

OBSERVATION The analysis to review the uplift of new connections was complex involving "lookups" between two reports and individual review of ICPs on the gas registry screens. Retailers are not able to pull a report showing READY ICPs that they have picked up over a period, making it difficult to monitor their success.

RECOMMENDATION That a report be developed by the GIC to enable the identification of READY ICPs uplifted by a retailer, so that compliance with the regulations can be audited.

Summary of breach allegations

Section	Summary of issue	Rules potentially breached
3	Physical address information on registry out of date	r10.1.1
7	Status updates for new connections were not done within 2 business days of entering a contract for 3 ICPs	r54.1
7	A systematic process of always changing READY ICPs to a status of INACT and GNM regardless of the ICP's actual status results in invalid registry updates.	r54.1
8	There were 965 instances of status event changes exceeding 30 days	r61.1
10.1	The switch for a contract entered on 27/6/16 was not initiated until 4/7/16, a breach of the 2 business day rule	r 66.1
10.1	Trustpower's systems do not initiate a switch within the required timeframe for contracts where commencement to supply is between 3 and 12 business days of the contract date	r 66.1
10.4	Two GTNs with incorrect switch reads were identified	r72.1.8

Summary of report findings

Issue	Section	Control Rating (refer to appendix 1 for definitions)	Compliance Rating	Comments
Participant registration information	2	Adequate	Not compliant	Trustpower had not updated its address
Obligation to act reasonably	3	Effective	Compliant	No examples of Trustpower acting unreasonably were found
Obligation to use registry software competently	4	Effective	Compliant	No examples of Trustpower using software incompetently were found
ICP identifier on invoice	5	Effective	Compliant	The ICP identifier is on Trustpower's invoices
Uplift of READY ICP	6	Not adequate	Not compliant	Registry notification of new connections was late in some instances. Automatic process means invalid status is used for some new ICPs
Maintenance of ICP information in registry	7	Adequate	Not compliant	A large proportion of status updates took more than 30 business days to complete.
Resolving discrepancies	8	Effective	Compliant	No issues were found with this process
Initiation of consumer switch/switching notice	9	Not Adequate	Not Compliant	Delays in the transfer of data from the SALESFORCE system to GTV resulted in instances of late notification. Contracts where commencement to supply gas is within 3 to 12 business days of the contract date are not being initiated within 2 business days.
Response to a gas switching notice	10	Effective	Compliant	No issues were found with this process
Gas acceptance notice	11	Effective	Compliant	No issues were found with this process

Gas transfer notice	12	Effective	Compliant	Other than the incorrect switch reads (noted below) no issues found
Accuracy of switch readings	13	Adequate	Not compliant	Instances of incorrect switch reads were found as a part of the review of GTNs
Gas switching withdrawal	14	Effective	Compliant	No issues found with this process
Switch reading negotiation	15	Effective	Compliant	No issues were found with this process

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	2
2.2 Provision of information to the Auditor (rule 91)	2
3. Participant registration information (rules 7 and 10).....	2
4. Obligation to act reasonably (rule 34).....	2
5. Obligation to use registry software competently (rule 35).....	2
6. ICP identifier on invoice (rule 36)	2
7. Uplift of READY ICP (rule 54)	3
8. Maintenance of ICP information in the registry (rules 58 to 61).....	4
9. Resolving discrepancies (rule 62.1).....	5
10. Switching.....	6
10.1 Initiation of consumer switch / switching notice (rules 65 to 67).....	6
10.2 Response to a gas switching notice (rules 69 to 75)	7
10.3 Gas acceptance notice (rule 70).....	7
10.4 Gas transfer notice (rule 72).....	7
10.5 Accuracy of switch readings (rule 74).....	7
10.6 Gas switching withdrawal (rule 74A, 75, 76, 78).....	8
10.7 Switch reading negotiation (rule 79, 81)	8
11. Bypass of distributor (rule 82).....	9
12. Breach Allegations	9
13. Conclusion	10
Appendix 1 Control Rating Definitions.....	11
Appendix 2 – Response to comments on draft report	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 Trustpower Ltd. The audit was commissioned under rule 88 and was conducted within terms of reference prepared by GIC.

The engagement commenced on 10 November 2016 and involved a site visit to the retailer on 20 to 24 February 2017.

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

2.1 Summary of Previous Audit

This is the first audit for Trustpower under the rules.

Approximately 18 months prior to this audit Trustpower had undergone a restructure and of particular note they now have a New Connections team. Trustpower's history had been in the electricity sector but their gas business is growing and in the last 6 to 8 months they have focused more attention on their gas processes. They use Gentrack Velocity 2012/13 (GTV) as their core IT system, and this was upgraded in August 2015.

Trustpower acquired the Energy Direct business in 2013, but operated this as a separate business up until late 2016. In Sep/October 2016 the EDNZ ICPs were transferred in to the main Trustpower business and are now held under the TRUS retailer code.

Trustpower conducted an internal audit of their gas processes in October 2016 and had made some consequent improvements. The results of this internal audit were made available to the auditor.

2.2 Switch Breach Report

Trustpower has 11 alleged switching breaches recorded since June 2014, with 20 underlying breaches. 7 of the 11 breaches were recorded in 2016 and all 11 were alleged by Jade. They all relate to gas acceptance and gas transfer notices, alleged breaches of rules 70.2 and/or 72.2. Further detail is provided in section 10.2

2.2 Provision of information to the Auditor (rule 91)

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

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

3. Participant registration information (rules 7 and 10)

The participant registration information was reviewed. The physical address was still showing as Truman Lane, although Trustpower have moved offices to Durham Street. Otherwise the registration information was current.

- ALLEGED BREACH r10.1.1 The physical address information for TRUS was found to be out of date.

4. Obligation to act reasonably (rule 34)

No examples of Trustpower acting unreasonably were found.

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

No examples of Trustpower using registry software incompetently were found.

6. ICP identifier on invoice (rule 36)

An example of a Trustpower invoice was viewed and was found to show the ICP.

7. 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.

The “Maintenance Breach History Report (RET breaches)” was examined for the period 1 January 2016 to 31 October 2016. This report contained 128 ICPs where the initial registry update was later than two business days, but it is thought this report may be unreliable.

Trustpower’s process is to request a registry file of ready ICPs where they are the expected retailer daily, which is complimented by notifications from distributors received via e-mail or via the distributor’s portal.

Analysis during the audit found 275 new connections created from 1 January 2016 and subsequently picked up by Trustpower. The event detail report was examined to find possible instances of non-compliance with rule 54. 120 possible breaches were identified, but it was not possible to be sure as the contract date and date that the status was changed to READY could not be identified as a part of the analysis of available reports.

A sample of 32 from this possible list were further reviewed on an individual basis by viewing the gas registry screens and 3 were found to be potential breaches. The others were found to either not have been updated within 2 business days of the contract because the status wasn’t yet READY, or not to be under contract to enable registry update by the retailer to be done any earlier. These 3 breaches were caused due to internal system issues within GTV that Trustpower were unaware of at the time. The file generated from within GTV and being sent to the registry failed and there was no process to identify those failures. Now that Trustpower are aware this failure is possible they have created reports that are auto delivered and worked daily to advise of failures.

- ALLEGED BREACH r54.1 Status updates for new connections were not done within 2 business days of entering a contract for 3 new connections.

ICPs	Days to uplift
1001289523QTB28	126 days
1001293584NGE9A	5 days
0000031914GN08F	10 days

OBSERVATION The analysis to review the uplift of new connections was complex involving “lookups” between two reports and individual review of ICPs on the gas registry screens.

Retailers are not able to pull a report showing READY ICPs that they have picked up over a period, making it difficult to monitor their success.

RECOMMENDATION That a report be developed by the GIC to enable the identification of READY ICPs uplifted by a retailer, so that compliance with the regulations can be audited.

The review of Trustpower’s processes for new ICPs also identified a systematic issue. When an ICP is first changed from READY Trustpower’s process always enters the status of INACT and GNM regardless of the actual status, changing this later once a meter is connected. This fits with the process of some Distributors who systematically make an ICP READY prior to physical metering being connected. However, not all Distributors behave this way and instead connect the physical metering prior to changing status to READY. In this case Trustpower’s initial change of status to INACT and GNM will not be correct.

- ALLEGED BREACH r54.1 A systematic process of always changing READY ICPs to a status of INACT and GNM regardless of the ICP’s actual status results in invalid registry updates.

8. 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). The rules do not therefore define a specific period but for this audit updates that occurred more than 30 business days after the event have been considered an alleged breach.

An analysis of the Trustpower participant status events was undertaken to see how promptly the registry was being updated. The event detail report was examined for the period 1 January to 31 October 2016 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 2 days	Update greater than 30 days	Average update days
ACTC	3,811	2,764	900	69.30
ACTV	2,172	1,104	34	4.99
INACT	661	347	27	7.67
INACP	7	7	6	82.43

Status updates for events other than new connections do not have a time threshold. Rule 61.1 requires that information changes are made “as soon as practicable”. In the auditor’s opinion, updates greater than 30 business days are not made “as soon as practicable” and it is recommended the associated processes are examined and improved to achieve shorter registry update timeframes. Trustpower provided further information about system issues which had already been identified which had caused most of these breaches.

In April 2016 TRUS discovered some system issues that resulted in problems with the ACTC and ACTV statuses not populating correctly in GTV and in turn updating the Registry. A bulk cleansing exercise followed in 2x parts (609 ICP’s on 18/04/2016) and (165 ICP’s on 23/04/2016). At the same time, some reports were created that enable us to pick up these status issues daily and a job was logged via Business Solutions so the issue could be addressed.

- ALLEGED BREACH r61.1 There were 965 instances of status event changes exceeding 30 days

	No of status events	Paired with
ACTC	3,811	GAS
ACTV	2,172	GAS
INACP	7	GPC and GPM
INACT	661	GMC/GMM/GNC/GNM/GSC/GVC/GVM
Total	6,651	

The status codes were all paired with legitimate codes.

9. Resolving discrepancies (rule 62.1)

Trustpower’s processes for identifying and reviewing discrepancies between the registry and their databases were examined and found to be effective. They run a ‘Discrepancy Manager’ process daily and exceptions are reviewed and resolved.

10. Switching

10.1 Initiation of consumer switch / switching notice (rules 65 to 67)

During the audit period Trustpower had transferred EDNZ customers across to TRUS using the switching processes. Advance clearance of the approach taken for these switches was obtained from the Gas Industry Company, with an emphasis on consumer outcomes. Any apparent breaches of the rules arising from this process have not been included in this report.

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 10 GNTs (notice to transfers). (r66.1)

One specific breach was found within the sample:

- ALLEGED BREACH r66.1 0000018532GN534 The GNT for a contract entered on 27/6/16 was not initiated until 4/7/16, a breach of the 2 business day rule in 66.1

This breach resulted from a delay in data being transferred from Trustpower's SALESFORCE system into GTV. The contract date in GTV appeared to be 1 July, but on further investigation it was found that in the SALESFORCE system the date the contract had been entered was 27 June. Trustpower are aware that there are delays in data entry from SALESFORCE into GTV and are in the process of migrating off the SALESFORCE system.

This review also established a process issue with the Trustpower systems. Trustpower's current process only applies rule 66.1 (to initiate a switch within 2 business days of entering a contract) for contracts where the supply commencement date is within two business days of the contract date. It should be applied where the commencement date is within 12 business days of the contract date. This is likely result in them systematically breaching this rule for contracts entered where the supply commencement is between 3 and 12 business days of the contract date. The auditor has alleged a breach on that basis.

- ALLEGED BREACH r66.1 A systematic breach of rule 66.1 for contracts where commencement to supply is between 3 and 12 business days of the contract date

Trustpower report that unfortunately there is no manual workaround possible to stop breaching in these scenarios so a job has been raised with Gentrack so that a fix can be implemented. This has been raised as an urgent request due to compliance reasons.

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. 7 possible breaches were found, but further analysis showed these were all switch type S scenarios where Trustpower had not requested the switch date, so no breach occurred.

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

The breach report for Trustpower for 2015 and 2016 was reviewed. In total this showed 8 breaches against Trustpower for switching, all notified by Jade. These are detailed as follows:

No of breach IDs	No of underlying breaches	Rule	Material?
3	3	70.2	2 No 1 Awaiting decision
2	3	72.2	No
3	6	70.2, 72.2	Awaiting decision

These all related to switch dates, so there were no late responses to a switching notice during this audit period.

10.3 Gas acceptance notice (rule 70)

A sample of GANs (acceptance notices) initiated by Trustpower were reviewed for compliance with the 2 business day rule in r69.1 and the switch date rules in r70.2 and r72.2. No breaches were found.

10.4 Gas transfer notice (rule 72)

A sample of GTNs (transfer notices) where Trustpower was the responsible retailer were reviewed for compliance with r72. The following potential breaches were found:

- ALLEGED BREACH r72.1.8 0000011138GN704 an incorrect switch read was provided and it was reported as estimated rather than actual.
- ALLEGED BREACH r72.1.8 0001024248NGB97 an incorrect switch read was provided

These were examples of an issue already identified in an internal audit which arises if there is a meter reading between the switch date and the date of the GTN.

10.5 Accuracy of switch readings (rule 74)

The accuracy of switch readings was examined as a part of the activities detailed in section 10.4 above. There are no additional issues to report in this section.

10.6 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 Trustpower was the old retailer and the new retailer. The results are shown in the tables below.

GNW (received by Trustpower)

	CR	DF	MI	UA	WP	WS	Total	% of GNTs
Old	1,785	761	12	0	27	169	2,754	12.5%
New	101	18	1	5	11	2	138	0.6%

GNW (initiated by Trustpower)

	CR	DF	MI	UA	WP	WS	Total	% of GNTs
Old	357	17	3	0	43	113	533	13.1%
New	606	24	13	0	32	2	677	16.6%

It is not clear whether these are typical or not as this is the first switching audit for Trustpower.

Samples of these GNWs were then reviewed for each of the reason codes, including instances of Trustpower receiving and initiating the GNW and with Trustpower as the old or the new retailer. The purpose was to evaluate whether the correct code had been used and that there was sufficient information to support the withdrawal.

Of the sample reviewed appropriate reason codes had been used and there was information available to substantiate the action taken.

10.7 Switch reading negotiation (rule 79, 81)

There were 278 instances of Trustpower initiating a GNC (notice of change). A sample of these were reviewed and no issues were found.

There were 70 instances of Trustpower receiving a GNC. A sample of these were also reviewed and no issues were found.

There were 71 GAC files sent by Trustpower where they rejected the other retailer's switch read and 276 instances of the counterparty retailer sending a GAC file rejecting Trustpower's switch read. Examples of these GACs were also examined and no issues were found.

These processes were found to be working as expected, there were good notes to support actions taken.

11. Bypass of distributor (rule 82)

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

12. Breach Allegations

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8	There were 965 instances of status event changes exceeding 30 days	r61.1
10.1	The switch for a contract entered on 27/6/16 was not initiated until 4/7/16, a breach of the 2 business day rule	r 66.1
10.1	Trustpower's systems do not initiate a switch within the required timeframe for contracts where commencement to supply is between 3 and 12 business days of the contract date	r 66.1

10.4	Two GTNs with incorrect switch reads were identified	r72.1.8
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13. Conclusion

The summary of report findings shows that Trustpower’s control environment, for the fourteen areas evaluated, is “effective” for nine areas, “adequate” for three areas and “not adequate” for two areas, the uplift of ready ICPs and the initiation of switch notifications.

Seven breach allegations are made in relation to Trustpower regarding the adequate and not adequate areas and are listed in the table above. The following observation and recommendation was also made:

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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 – Response to comments on draft report

Comment on the draft report was received from Genesis Energy as noted below.

Comment from Genesis Energy	Response
<p>Just one thing to note on your observation concerning retailers reporting on READY ICPs. This data is already available to retailers through the ICP list report (and, I think the Snapshot report).</p> <p>A screenshot of the requesting input (this can be date ranged) and sample of resulting return file is attached.</p>	<p>Having worked through this suggestion with Trustpower this report option doesn't give the required data to monitor a retailer's success in uplifting new ICPs after the fact. After further discussion with Genesis the observation and recommendation remain but have been re-phrased to make it clearer that the reporting would be to assist compliance review rather than to assist retailers with their business processes.</p>