



# GAS REGISTRY AND SWITCHING PERFORMANCE AUDIT ON GAS LTD

Date of audit: 12 to 16 June 2017

Report completed: 9 August 2017

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

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 the OnGas control environment, for the fourteen areas evaluated, is “effective” for nine areas and “adequate” for five areas. No areas were found to be “not adequate”.

Five breach allegations are made in relation to OnGas regarding the non-compliant areas and are summarised in the following table. The following observations and recommendations were also made:

OBSERVATION: When OnGas used the Kinetic system for billing they ran a monthly check to ensure their internal systems and the registry were aligned for all registry fields. However, since the move to Gentrack this process had not been reinstated. With anticipated growth in the number of ICPs being managed, and the passage of time since regular checks were done, it can be anticipated growing misalignment between the registry and OnGas systems could occur

RECOMMENDATION: The auditor recommends that a regular check between OnGas systems and the registry be reinstated.

OBSERVATION: It was noted that OnGas, as a retailer for larger consumers, tends to start new contracts from the first of the month and that the process of putting a contract in place and getting it signed off can be time consuming. It was noted by the auditor that OnGas was using “SM” instead of “S” as the switch type in some of its GNTs so that it could backdate the start date to the beginning of the month.

RECOMMENDATION: It is recommended that registry processes be revised so that retailers can achieve this outcome for “S” switches without having to use the incorrect code of “SM”.

OBSERVATION: During the audit OnGas made an observation regarding registry processes. It is their understanding that the electricity registry rejects invalid requests, whereas the gas registry accepts them and then raises a breach. For example, if a retailer requests a GNT with an invalid switch date the gas registry accepts this but then raises a breach.

RECOMMENDATION: The gas registry be changed such that invalid requests are rejected rather than first being accepted and then later raising a breach.

## Summary of breach allegations

Section	Summary of issue	Rules potentially breached
3	Physical address information on registry out of date	r10.1.1
7	Incorrect status update. ACTC was entered into the registry prior to the contract with the customer being entered into for 3 ICPs and with effect from the wrong date for 1 ICP.	r58
8	There were 13 instances of status event changes exceeding 30 days	r61.1
10.1	The GNT was not initiated within 2 business days of entering into a contract for 3 ICPs	r66.1
10.4	Miscellaneous errors on 4 GTNs. <ul style="list-style-type: none"> <li>• a reading was reported as estimated when it was actual.</li> <li>• an incorrect last actual read date was reported</li> <li>• the GTNs for two ICPs relating to the same customer switched on the same day were swapped.</li> </ul>	r72.1

## Summary of report findings

Issue	Section	Control Rating (refer to appendix 1 for definitions)	Compliance Rating	Comments
Participant registration information	3	Adequate	Not compliant	OnGas had not updated its address
Obligation to act reasonably	4	Effective	Compliant	No examples of OnGas acting unreasonably were found
Obligation to use registry software competently	5	Effective	Compliant	No examples of OnGas using software incompetently were found
ICP identifier on invoice	6	Effective	Compliant	The ICP identifier is on OnGas invoices
Uplift of READY ICP	7	Adequate	Not compliant	There were no instances of OnGas claiming new ICPs late.  There were however instances of ACTC status being entered prior to contracts being entered into.
Maintenance of ICP information in registry	8	Adequate	Not compliant	A large proportion of status updates took more than 30 business days to complete.
Resolving discrepancies	9	Effective	Compliant	No issues were found with this process
Initiation of consumer switch/switching notice	10.1	Adequate	Not compliant	A few instances of notices to transfer being initiated late
Response to a gas switching notice	10.2	Effective	Compliant	One breach by the market administrator found not to be material
Gas acceptance notice	10.3	Effective	Compliant	No issues were found with this process
Gas transfer notice	10.4	Effective	Not compliant	Isolated instances of errors on GTNs were found

Accuracy of switch readings	10.5	Adequate	Not compliant	Instances of incorrect switch reads were found as a part of the review of GTNs
Gas switching withdrawal	10.6	Effective	Compliant	No issues found with this process
Switch reading negotiation	10.7	Effective	Compliant	No issues were found with this process

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## 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 On Gas Ltd (OnGas). The audit was commissioned under rule 88 and was conducted within terms of reference prepared by GIC.

The engagement commenced on 24 March 2017 and involved a site visit to the retailer on 12 to 16 June 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

OnGas introduced Gentrack in 2015 to manage its billing, switching and allocation processes. It uses a bespoke version of Gentrack customised for TOU data. It has managed the billing processes well since going live, but the switching and allocation processes have not been perfect. OnGas have done parallel running against spreadsheets in 2016. Switching in Gentrack is still not fully compliant so is monitored using manual checks and processes.

### 2.1 Summary of Previous Audit

This is the first audit for OnGas under the rules.

### 2.2 Switch Breach Report

OnGas has 2 alleged switching breaches recorded since June 2014, with 4 underlying breaches. One related to rule 69.1 (response to a gas switching notice) and the other rule 67.3 (new retailer requesting valid switch date). Both were notified by Jade and both found to be not material by the Market Administrator.

### 2.3 Provision of information to the Auditor (rule 91)

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

Information was provided by OnGas 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 Level 7, 142 Wakefield Street, Wellington, but OnGas have moved offices to 110 Featherston St Wellington. Otherwise the registration information was current.

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

### 4. Obligation to act reasonably (rule 34)

No examples of OnGas acting unreasonably were found.

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

No examples of OnGas using registry software incompetently were found.

### 6. ICP identifier on invoice (rule 36)

An example of an OnGas 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.

OnGas identify new connections via two different routes. Firstly, the account managers may provide the team with a 'heads up' that there is going to be a new connection, prior to anything being shown on the registry. Alternatively, regular review of the RS READY file from the registry may be the first information. If this is the case the team e-mail the key account manager to see if they want them to claim the ICP, in which case the analyst creates the installation and the account manager advises regarding the correct status. The OnGas process for READY ICPs is to only change the status to active (ACTC or ACTV) once the meter has been installed.

Analysis during the audit found 7 new connections created from 1 January 2016 and subsequently picked up by OnGas. All 7 cases were reviewed. It was found that in most cases OnGas had changed the status to INACT after the ICP was READY (in accordance with r54.2) and prior to signing the contract with the customer. There was one example where the contract was signed prior to the ICP being made READY, but OnGas uplifted the ICP and made it INACT on the same date as it was made READY. Therefore, there were no breaches of r54 as all were uplifted after being made READY and within 2 business days of entering into the contract.

It was however noted that there was often a long gap between ICPs being active with meters installed and the related contract being signed, leading to a delay between when the first gas may flow and the date the first bill is sent out, which in turn results in the quantities not being submitted in the initial submission file. This is further discussed in the associated downstream reconciliation audit report.

It was also noted that there was often a long lag between when first gas could flow and the status of the new connection being changed from INACT to being made active ACTC, but these are captured in the statistics below regarding status updates so are not itemised separately here.

There were also the following examples of incorrect status changes, where status of the new connection was changed from INACT to ACTC prior to OnGas having entered into a contract with the customer. OnGas may wish to consider the use of the ACTV code in its processes to bridge the gap between when an ICP becomes active with meter installed and gas able to flow, but the contract not yet having been signed.

- ALLEGED BREACH r 58 Incorrect status update. ACTC was entered into the registry prior to the contract with the customer being entered into, for the following ICPs:

1001286366QTBA4	ACTC status update 3/11/16	contract entered 30/11/16
1001286561QT068	ACTC status update 3/11/16	contract entered 30/11/16
1001286733QT2E2	ACTC status update 01/06/17	contract entered 21/06/17

There was also an incorrect status update where ACTC was entered into the registry for an ICP with an incorrect update date.

- ALLEGED BREACH r 58 Incorrect status update. ACTC was entered into the registry with effect from the wrong date.

100128563QT0ED	ACTC status update effective from 22/5/17	contract entered 26/5/17
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## 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 OnGas participant status events was undertaken to see how promptly the registry was being updated. The event detail report was examined for the period 1 March 2016 to 28 February 2017 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	14	14	6	48
ACTV	10	10	1	13
INACT	9	8	5	101
INACP	10	9	1	188

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

- ALLEGED BREACH r61.1 There were 13 instances of status event changes exceeding 30 days

	No of status events	Paired with
ACTC	14	GAS
ACTV	10	GAS
INACP	10	GPM
INACT	9	GMC/GNM/GVM

An analysis of status codes was done and is shown in the table above. The ICP status codes were all paired with legitimate connections status codes.

## 9. Resolving discrepancies (rule 62.1)

Gentrack has identified “market fields” which if updated creates a file which is pushed to the registry. The gas registry in turn pushes files to Gentrack. There is also a GIX portal for customers to view their data and which is used to send them information, for example relating to critical contingency events.

During the audit, checks between the registry and OnGas systems showed good alignment.

OBSERVATION: When OnGas used the Kinetic system for billing they ran a monthly check to ensure their internal systems and the registry were aligned for all registry fields. However, since the move to Gentrack this process had not been reinstated. With anticipated growth in the number of ICPs being managed, and the passage of time since regular checks were done, it

can be anticipated growing misalignment between the registry and OnGas systems could occur

RECOMMENDATION: The auditor recommends that a regular check between OnGas systems and the registry be reinstated.

Since the audit OnGas have taken steps to reinstate this check.

## 10. Switching

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

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

Three specific breaches were found within the sample:

- ALLEGED BREACH r66.1 The GNT was not initiated within 2 business days of entering into a contract for the following three ICPs

0001446589QT15E

0000343651QT999

0000299311QT844

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. No breaches were found.

OBSERVATION: It was noted that OnGas, as a retailer for larger consumers, tends to start new contracts from the first of the month and that the process of putting a contract in place and getting it signed off can be time consuming. It was noted by the auditor that OnGas was using "SM" instead of "S" as the switch type in some of its GNTs so that it could backdate the start date to the beginning of the month. Market Administrator Guideline September 2015, switching rules paragraph 6, states the following:

*If a gas switching notice (GNT) for a standard switch contains a requested switch date that is before the date that the GNT was delivered to the registry, but in the same month as the GNT delivery, then, in the absence of any other information, there is no likelihood that this will raise a material issue and it need not be alleged as a breach of rule 67.3 by the Registry Operator.*

The Market Administrator Guideline indicates that a backdated standard switch shouldn't be alleged as a breach by the Registry Operator. However, this has not yet been implemented as a compliance threshold rule in the registry, thus a breach would still be alleged if a retailer used

“S” not “SM”. Due to this ambiguity no alleged breach has been made for the use of “SM” in this manner.

RECOMMENDATION: It is recommended that registry processes be revised so that retailers can achieve this outcome for “S” switches without having to use the incorrect code of “SM”.

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

The breach report for OnGas since June 2014 (their last audit) was reviewed. This showed 1 breach with 3 underlying breaches, of r69.1 (the requirement to respond to a gas switching notice within 2 business days). This occurred in January 2015 and was found to be not material.

## 10.3 Gas acceptance notice (rule 70)

A sample of GANs (acceptance notices) initiated by OnGas 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 OnGas was the responsible retailer were reviewed for compliance with r72. The following potential breaches were found:

- ALLEGED BREACH r72.1.8 0000012329GN90B a reading was reported as estimated when it was actual.
- ALLEGED BREACH r72.1.5 0001018506NGF07 a last actual read date was reported of 17 December 2016 but there was no read for this date
- ALLEGED BREACH r72.1.8 0000012328GN54E and 0000012329GN90B related to the same customer and were both switched on the same day. The reads were accidentally swapped between the two sites. This was identified and corrected.

## 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 OnGas was the old retailer and the new retailer. The results are shown in the tables below. There were only 2 GNWs in the relevant period, both where OnGas was the new retailer, one was initiated by OnGas and one was received by OnGas. Both were reviewed by the auditor and no issues arose.

#### GNW (received by OnGas)

	CR	DF	MI	UA	WP	WS	Total	% of GNTs
Old							0	0
New		1					1	8

#### GNW (initiated by OnGas)

	CR	DF	MI	UA	WP	WS	Total	% of GNTs
Old								0
New		1						8

## 10.7 Switch reading negotiation (rule 79, 81)

There was 1 instance of OnGas initiating a GNC (notice of change). This was reviewed and no issues were found.

There were 4 instances of OnGas receiving a GNC. These were all reviewed and no issues were found.

There was 1 GAC file sent by OnGas where they rejected the other retailer's switch read and 4 instances of the counterparty retailer sending a GAC file rejecting OnGas' switch read. These were all examined and no issues were found.

These processes were found to be working as expected.

OBSERVATION: During the audit OnGas made an observation regarding registry processes. It is their understanding that the electricity registry rejects invalid requests, whereas the gas registry accepts them and then raises a breach. For example, if a retailer requests a GNT with an invalid switch date the gas registry accepts this but then raises a breach.

RECOMMENDATION: The gas registry be changed such that invalid requests are rejected rather than first being accepted and then later raising a breach.

## 11. Bypass of distributor (rule 82)

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

## 12. Breach Allegations

Section	Summary of issue	Rules potentially breached
3	Physical address information on registry out of date	r10.1.1
7	Incorrect status update. ACTC was entered into the registry prior to the contract with the customer being entered into for 3 ICPs and with effect from the wrong date for 1 ICP.	r58
8	There were 13 instances of status event changes exceeding 30 days	r61.1
10.1	A GNT was not initiated within 2 business days of entering into a contract for three ICPs	r 66.1
10.4	<p>A sample check of GTNs found three issues:</p> <ul style="list-style-type: none"> <li>• a reading was reported as estimated when it was actual.</li> <li>• an incorrect last actual read date was reported</li> <li>• the GTNs for two ICPs relating to the same customer switched on the same day were swapped.</li> </ul>	r72.1

## 13. Conclusion

The summary of report findings shows that the OnGas control environment, for the fourteen areas evaluated, is “effective” for nine areas and “adequate” for five areas. No areas were found to be “not adequate”.

Five breach allegations are made in relation to OnGas regarding the non-compliant areas and are summarised in the table in section 12. The following observations and recommendations were also made:

OBSERVATION: When OnGas used the Kinetic system for billing they ran a monthly check to ensure their internal systems and the registry were aligned for all registry fields. However, since the move to Gentrack this process had not been reinstated. With anticipated growth in the number of ICPs being managed, and the passage of time since regular checks were done, it can be anticipated growing misalignment between the registry and OnGas systems could occur

RECOMMENDATION: The auditor recommends that a regular check between OnGas systems and the registry be reinstated.

OBSERVATION: It was noted that OnGas, as a retailer for larger consumers, tends to start new contracts from the first of the month and that the process of putting a contract in place and getting it signed off can be time consuming. It was noted by the auditor that OnGas was using "SM" instead of "S" as the switch type in some of its GNTs so that it could backdate the start date to the beginning of the month.

RECOMMENDATION: It is recommended that registry processes be revised so that retailers can achieve this outcome for "S" switches without having to use the incorrect code of "SM".

OBSERVATION: During the audit OnGas made an observation regarding registry processes. It is their understanding that the electricity registry rejects invalid requests, whereas the gas registry accepts them and then raises a breach. For example, if a retailer requests a GNT with an invalid switch date the gas registry accepts this but then raises a breach.

RECOMMENDATION: The gas registry be changed such that invalid requests are rejected rather than first being accepted and then later raising a breach.



## 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>