



SWITCHING AUDIT SWITCH UTILITIES LTD

Date of audit: 12 to 27 June 2017

Report completed: 23 August 2017

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

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

Five breach allegations are made in relation to SULG regarding the adequate and not adequate areas and are summarised in the following table. The following recommendations were also made:

- The processes for uplifting READY ICPs are giving rise to timeframe breaches. It is recommended that routine monitoring of READY ICPs be initiated.
- SULG processes do not yet include a routine check of registry fields in their systems against the registry. The auditor recommends that a regular check of registry fields be put in place to ensure discrepancies are identified and resolved.
- The processes for initiating a switch are routinely giving rise to breaches of the 2-business day timeframe. The processes should be reviewed for improvements to support compliance.

Summary of breach allegations

Section	Summary of issue	Rules potentially breached
3	Physical address and e-mail address information on registry out of date	r10.1.1
7	Status updates for new connections were not done within the required timeframes for 3 ICPs	r54.1
8	There were 7 instances of status event changes exceeding 30 days	r61.1
10.1	A GNT was not initiated within 2 business days of the date the contract was entered into for 6 ICPs.	r 66.1
10.4	Errors were found in GTNs for 2 ICPs	r72.1.8

Summary of report findings

Issue	Section	Control Rating (refer to appendix 1 for definitions)	Compliance Rating	Comments
Participant registration information	3	Adequate	Not compliant	SULG had not updated its physical address or its e-mail address
Obligation to act reasonably	4	Effective	Compliant	No examples of SULG acting unreasonably were found
Obligation to use registry software competently	5	Effective	Compliant	No examples of SULG using software incompetently were found
ICP identifier on invoice	6	Effective	Compliant	The ICP identifier is on SULG's invoices
Uplift of READY ICP	7	Not adequate	Not compliant	Uplift of READY new connections was late in several instances. Process improvement to routinely monitor READY ICPs is recommended.
Maintenance of ICP information in registry	8	Adequate	Not compliant	Not all registry updates were made within a reasonable timeframe
Resolving discrepancies	9	Adequate	Compliant	No significant compliance issues were found but it is nonetheless recommended that SULG initiate a routine process for confirming alignment between its systems and the registry
Initiation of consumer switch/switching notice	10.1	Not Adequate	Not Compliant	GNTs were not initiated within 2 business days. System improvement is recommended
Response to a gas switching notice	10.2	Adequate	Not Compliant	There have been two breaches in this area
Gas acceptance notice	10.3	Effective	Compliant	No issues were found with this process

Gas transfer notice	10.4	Effective	Not Compliant	Only 2 minor issues were identified
Accuracy of switch readings	10.5	Effective	Compliant	No issues found
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 Switch Utilities Ltd (SULG). 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's agent OnGas Ltd (OnGas) between 12 and 16 June in Wellington.

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 SULG under the rules. SULG started as a participant on 1 May 2015.

2.2 Switch Breach Report

SULG has 6 alleged switching breaches recorded since May 2015, with 9 underlying breaches, all alleged by Jade.

Breach Allegation	No of alleged breaches	Rule(s)	Section in this report
New retailer requirements for requested switch date	3	67.3	10.1
Complete switch within 10 business days of receiving a switch notice	1	69.2	10.4
Respond to a switching withdrawal notice within 5 business days	1	78.1	10.6

The purpose of the rules and completion of a switch within 10 business days	1	3 and 69.2	10.4
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2.1 Provision of information to the Auditor (rule 91)

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

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

3. Participant registration information (rules 7 and 10)

The participant registration information was reviewed on the gas registry. The physical address shown was Level 12, 19-21 Como Street, Takapuna, Auckland but this was out of date. The business had recently moved to Level 2, 1-7 The Strand, Takapuna. The e-mail address on the registry was for a member of staff who had left the company. The company arranged to have this changed to compliance@switchutilities.co.nz.

- ALLEGED BREACH r10.1.1 The physical address and e-mail address information for SULG was found to be out of date.

4. Obligation to act reasonably (rule 34)

No examples of SULG acting unreasonably were found.

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

No examples of SULG using registry software incompetently were found.

6. ICP identifier on invoice (rule 36)

An example of an SULG 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.

Analysis during the audit found 3 new connections created from 1 January 2016 and subsequently picked up by SULG. The event detail report was examined to find possible instances of non-compliance with rule 54 and it appeared all 3 may be breaches from 1 January 2016 onwards. 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.

These possible breaches were further reviewed with the retailer and it was confirmed that all were potential breaches. The retailer had not fully understood the requirements of rule 54 and will now initiate routine monitoring of READY ICPs.

- ALLEGED BREACH r54.1 Status updates for new connections were not done within the required timeframes for the following ICPs:

1000557069PG384

1001291986QT795

1001294136QT20A

RECOMMENDATION: It is recommended SULG initiate a process for routine monitoring of READY ICPs.

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 SULG 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	9	9	6	64
INACT	2	1	1	28

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 7 instances of status event changes exceeding 30 days

	No of status events	Paired with
ACTC	9	GAS
INACT	2	GNM
Total	11	

The status codes were all paired with legitimate codes.

9. Resolving discrepancies (rule 62.1)

During the audit, the accuracy of information used by OnGas as SULG’s agent was reviewed against the information in the registry and was found to be well aligned. However, it was noted that this was likely to be a factor of SULG being a new participant such that its data had been relatively recently acquired and the number of ICPs being relatively few. No routine checking of the data between systems was being conducted.

OBSERVATION: SULG processes do not yet include a routine check of registry fields in systems against the registry.

RECOMMENDATION: The auditor recommends that a regular check be put in place.

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)

Six potential breaches were found within the sample:

- ALLEGED BREACH r66.1 The GNT was not initiated within 2 business days of the date the contract was entered into for the following ICPs:

0000109471QT3C6

0000142501QTBEA

0000274461QT546

0000313421QT5B7

0000339071QT633

0000416261QT33F

OBSERVATION: The processes for initiating a switch are routinely giving rise to breaches of the 2-business day timeframe.

RECOMMENDATION: The processes should be reviewed for improvements to support compliance.

During the audit SULG acknowledged that there is room for improvement in their processes as follows:

I believe there will be a need here to review both our process internally, and the process from the agent's side, as I think it simply comes down to the fact there is currently a number of manual processes from completion of sale through to notification of our agent, and the ultimate raising of the GNT by our agent, which has contributed to these delays.

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 possible breaches were found.

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

The breach report for SULG from May 2015 was reviewed. Two breaches related to a late response to a gas switching notice (r69.2).

Breach Allegation	No of alleged breaches	No of underlying breaches	Rule(s)	Decision
Complete switch within 10 business days of receiving a switch notice	1	1	69.2	Not material
The purpose of the rules and completion of a switch within 10 business days	1	4	3 and 69.2	Awaiting decision

10.3 Gas acceptance notice (rule 70)

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

- ALLEGED BREACH r72.1.5 0000067441QTACA a reading was reported as estimated when it was actual.
- ALLEGED BREACH r72.1.5 1001160666QTAA8 the read date was 21/1/17, but was incorrectly entered on the GTN as 23/1/17.

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

GNW (received by SULG)

	CR	DF	MI	UA	WP	WS	Total	% of GNTs
Old								
New	8				6	11		23%

GNW (initiated by SULG)

	CR	DF	MI	UA	WP	WS	Total	% of GNTs
Old								
New	3	1						4%

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

Samples of these GNWs were then reviewed for each of the reason codes. The purpose was to evaluate whether the correct code had been used and that there was sufficient information to support the withdrawal. No issues arose.

10.7 Switch reading negotiation (rule 79, 81)

There were 2 instances of SULG initiating a GNC (a switch reading renegotiation request). Both were reviewed and no issues were found.

There were no instances of SULG receiving a GNC.

There were 2 GAC files to SULG in response to their request. The two GACs were examined and no issues were found.

These processes were found to be working as expected.

11. Bypass of distributor (rule 82)

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

12. Breach Allegations

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13. Conclusion

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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>