



GAS REGISTRY AND SWITCHING PERFORMANCE AUDIT

First Gas Limited as Distributor

Audit date: 18 to 20 October 2017

Report date: 21 December 2017

Under the Gas (Switching Arrangements) Rules 2008 the Gas Industry Company has commissioned Langford Consulting to undertake a performance audit of First Gas Limited in its role of distributor. The purpose of the audit is to assess compliance with the rules and the systems and processes put in place to enable compliance.

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Executive Summary

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

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 First Gas control environment, for the ten areas evaluated, was found to be “effective” for six areas, “adequate” for one area, “not adequate” for one area and two areas were found not to be applicable.

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

RECOMMENDATION: It is recommended that First Gas add a routine check to their ICP creation process to ensure ICP identifiers have the correct ‘NG’ code as the 11th and 12th characters.

OBSERVATION Rules 51 and 53 do not reflect the process undertaken by First Gas and apply time constraints that have no relevance. If this is true of other distributors there may be a case for a review of the rules to align with the operational processes.

RECOMMENDATION: Consider a review of rules 51 and 53 once all the distributors have undergone their first audit.

RECOMMENDATION: First Gas should review its processes for assigning gas gates to ensure consistent assignment of ICPs that could be fed by more than one gas gate within a greater gas gate area.

RECOMMENDATION: First Gas should complete data cleansing to correct new ICPs entered with incorrect network pressures. First Gas has already commenced this.

RECOMMENDATION: That First Gas initiate regular processes for identifying and rectifying data quality issues in their registry data.

RECOMMENDATION: That First Gas initiate regular processes for identifying ICPs that need the load shedding category to be revised.

RECOMMENDATION: That First Gas initiate a process for decommissioning ICPs.

RECOMMENDATION: That First Gas should introduce a process where they routinely review load shedding categories for new ICPs once billing information of actual consumption becomes available.

RECOMMENDATION: It is recommended that the load shedding category should be actively maintained. Data that is available to assist includes allocation group changes by retailers, billing information and retailer requests for metering upgrades.

Summary of breach allegations

Section	Summary of issue	Rules potentially breached
4.2	3 ICPs within a sample of 30 new ICPs were not created within 3 business days of request.	r 51.2
4.2	3 ICPs created in 2017 had been incorrectly assigned to the wrong gas gate. 2 ICPs had incorrect address details.	r 58.1
4.2	From a sample of 30 new ICPs 5 errors were found: 4 ICPs had incorrect network pressures. 1 ICP had an incorrect network pricing category.	r 58.1
4.3	A review of ICPs with unusual or incompatible load shedding categories/allocation groups found 330 active ICPs to have incorrect load shedding categories.	r 58.1
4.3	A review of altitude outliers on the registry found 16 ICPs with incorrect altitudes.	r 58.1

4.3	A review of the registry for unexpected combinations of network pressures and load shedding category identified 5 ICPs with incorrect network pressures.	r 58.1
4.3	<p>A review of a sample of 70 established ICPs found 18 errors:</p> <p>2 ICPs had incorrect altitudes 5 ICPs had incorrect gas gates 5 ICPs had incorrect load shedding categories 3 ICPs had incorrect price categories 3 ICPs had incorrect network pressures</p>	r 58.1
4.3	<p>First Gas has not used its reasonable endeavours to maintain current and accurate information in the registry by failing to have any process for maintaining registry data.</p> <p>They do not:</p> <ul style="list-style-type: none"> • do any monitoring of data quality • maintain ICP load shedding categories • identify/update decommissioned ICPs 	r 58.1

Summary of report findings

Issue	Section	Control Rating (refer to appendix 1 for definitions)	Compliance Rating	Comments
Participant registration information	3.1	Effective	Compliant	First Gas had up to date participant details on the register
Obligation to act reasonably	3.2	Effective	Compliant	No examples of First Gas acting unreasonably were found
Obligation to use registry software competently	3.3	Effective	Compliant	No examples of First Gas using software incompetently were found
Assignment of ICPs	4.1	Effective	Compliant	There were no issues found with the First Gas process for assigning ICP identifiers
Creation of new ICPs	4.2	Adequate	Not compliant	A review of a sample of 30 new ICPs found 3 were not created within the 3-business day requirement; 4 with incorrect network pressures and 1 with the wrong network price category.
Maintenance of ICPs in the registry	4.3	Not adequate	Not compliant	First Gas should initiate a process for routinely monitoring the quality of data in the registry; a process for decommissioning gas gates and a process for reviewing and updating load shedding categories.
Notices of gas gate creation/decommissioning	4.4	Effective	Compliant	No issues were found with this process
Publishing of network price category codes	4.5	Effective	Compliant	These were reviewed and found to be current and publicly available
Disclosure of ICP information	4.6	Not applicable	Not applicable	No instances had occurred
Loss factor codes	4.7	Not applicable	Not applicable	First Gas does not currently use loss factor codes

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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 First Gas Ltd (First Gas) as a distributor. The audit was commissioned under rule 88 and was conducted within terms of reference prepared by the GIC.

The engagement commenced on 25 July 2017 and involved a site visit to the distributor on 18 to 20 October 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

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 Switch Breach Report

First Gas as distributor had 5 alleged breaches recorded by the Market Administrator in the period 1 January 2014 to 31 August 2017. 3 were alleged by Veritek Ltd and 2 by Langford Consulting and Veritek Ltd. All were alleged under rule 26.5 of the Gas (Downstream Reconciliation) Rules 2008 and related to incorrect altitude factors.

2.2 Summary of previous audit

This is the first audit for First Gas under the rules.

2.3 Provision of Information to the Auditor

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

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

3. General obligations

3.1 Participant registration information

The participant registration information for First Gas as a distributor was reviewed and found to be current.

3.2 Obligation to act reasonably

No examples of First Gas acting unreasonably were found.

3.3 Obligation to use registry software competently

No examples of First Gas using registry software incompetently were found.

4. Obligations as Distributor

4.1 Assignment of ICPs (rules 5.2, 43.1 and 43.2)

First Gas described their process for creating new ICPs. A request to investigate the availability and cost of a new connection could arrive via e-mail, a call to the 0800 First Gas call centre, or via the “get connected” part of the First Gas website. The request could come from the end customer, retailer, builder or gas fitter. The initial process is managed using a CRM system and involves investigating the feasibility of the gas connection and can involve phone calls with the customer and Electrix as the service provider, for non-standard requests.

Retailers can access the CRM system to track the progress of initial enquiries. At this stage no ICP is generated but the retailer can enter their reference number into the CRM system to help track the case. The CRM system is also integrated with Maximo, the work order system used by First Gas. The costs are determined by their field service provider and modelled by First Gas. First Gas can then determine the contribution required. The customer is then provided with a quote.

When the customer accepts the quote a status change in Maximo occurs which in turn generates a work order to Electrix and adds the case to a worklist for ICP creation. This customer agreement also triggers the billing system to create the bill for the capital contribution. The creation of an ICP then enables the retailer to request a meter.

The creation of a new ICP starts with the address being verified with the customer and the GIS system. “As builds” for addresses which don’t already exist in GIS are hand drawn, as the First Gas GIS system

doesn't currently have "greenfield" functionality. The registry is also searched to ensure there is no existing ICP and the NZ Post website is used to confirm the accuracy of the detail of the address.

For big projects, such as major sub-divisions, the ICP creation process can be more complex. These are managed outside of the usual CRM/Maximo systems. Developers usually initiate the development projects such as shopping malls and multi-residentials, and retailers usually initiate the industrial connections. One of the parties involved may request that the ICP creation be done before there is an agreement to connect, because of the lead time for requesting the meter and the meter owners need for an ICP number as a part of the request. First Gas create the ICP as soon as it is requested and even encourage this, to ensure the supply of metering does not delay a new connection project. Pinpointing the exact time of these requests is difficult after the fact, as they could have occurred via a phone call, can be prior to the contract being signed and are managed outside of the CRM system.

The trigger for ICP creation can be a retailer request, a signed contract or a work order request to Electrix. Other than complex projects, First Gas considers the acceptance of a quote to be the "request" for an ICP.

The auditor reviewed the distributor's process for the creation of ICP identifiers. This is done manually using a spreadsheet to generate the gas connection number sequentially, the unique distributor code supplied by the GIC of 'NG' was used and the algorithm made available by the Electricity Authority website is used to generate the check sum. The auditor confirmed that if human error occurred in the generation of the sequential number then the registry would not accept its entry, any error in the entry of the check sum was also rejected.

During the audit it was tested whether the entry of an incorrect retailer code would be prevented by the registry system. It was confirmed that an invalid retailer code would be rejected by the system, but the accidental entry of a valid but incorrect code (i.e. another retailer's code instead the First Gas "NG" code) would be accepted. This was thought unlikely but possible.

RECOMMENDATION: It is recommended that First Gas add a routine check to their ICP creation process to ensure ICP identifiers have the correct 'NG' code as the 11th and 12th characters.

No incorrect codes were identified by the review of the creation of the ICP identifier.

Rule 43.1 and 43.2

These rules require that a distributor assign an ICP identifier for each consumer installation connected to its system. Each consumer installation must represent a single consumer installation that:

- may be isolated without affecting another consumer installation
- may have a single loss factor and network price category and
- has its gas volume measured directly by a single set of compliant metering equipment or indirectly by a method approved by the industry body

First Gas ensure there is a single customer for each installation by waiting on the acceptance of a quote for the connection, so ensuring there is a single entity accepting responsibility for paying for the connection.

Isolation is designed into every new service by the inclusion of a network valve and in any case all pipelines under 100 millimetres can be readily isolated by squeezing.

First Gas distribution does not provide any metering services. It accepts confirmation from the meter owner in the registry that metering has been connected to be confirmation that there is a single set of metering equipment complying with NZS5259. No additional verification is done as a part of the ICP creation process.

4.2 Creation of new ICPs (rule 51.2 and 51.3)

The auditor reviewed a sample of new ICPs to see if First Gas had complied with the requirement to assign an ICP within 3 business days of receiving a request. As explained above, except for complex projects, First Gas considers the acceptance of a quote to be the 'request' for an ICP assignment. Creating new ICPs at the point of a request for a quote would lead to lots more ICPs being created, many of which would not result in live connections.

The sample of new ICPs was taken from 1 August 2016 onwards. Although First Gas had purchased the network before this, Vector had been supplying support services with respect to ICP creation and First Gas were unable to supply relevant information for the period prior to this date.

Taking the request for an ICP to be a signed contract for connection, from the sample of 30 reviewed as a part of the on-site audit the following failed the requirements of rule 51.2 to assign an ICP within 3 business days of a request:

1001295038NGFF3	4 business days
1001293996NG8BE	9 business days
1001294365NGA03	11 business days

ALLEGED BREACH: 3 ICPs within a sample of 30 new ICPs created after 1 August 2016 were not created within 3 business days of request (rule 51.2)

For some of the sample selected it was not possible to identify a 'request' date as they were associated with larger complex projects. First Gas believes that if a retailer needs an ICP (for example to request a meter) that this is done without delay, but this is not necessarily recorded as it may be a simple phone conversation. First Gas is open to changing its ICP creation process if comment on this report suggests retailers have concerns.

Because the First Gas process is to wait for a signed contract before assigning the ICP, they are also able to set up the rest of the distributor parameters at the same time without waiting for the physical connection. The process envisaged by rule 51.2 (assigning an ICP), rule 51.3 (entering the ICP identifier, creation date, responsible distributor and the physical address) and rule 53.1 (entering the remaining parameters) are concatenated into one. Consequently, the ICP status moves directly to READY, skipping the NEW status. No further tests were therefore applied by the auditor regarding the 2 business day time requirements for action under rule 51.3 and 53.1.

The auditor did however verify that First Gas followed its own process by looking for any First Gas ICPs with a status of NEW. Out of 76,000 records there were only 3 instances of First Gas ICPs with a status of NEW suggesting the process described is followed.

OBSERVATION Rules 51 and 53 do not reflect the process undertaken by First Gas and apply time constraints that have no relevance. If this is true of other distributors there may be a case for a review of the rules to align with the operational process.

RECOMMENDATION: Consider a review of rules 51 and 53 once all the distributors have undergone their first audit.

Gas Gates

During the on-site audit the auditor reviewed the First Gas process for assigning gas gates. The first step is to look up the relevant town on a list to identify the expected gas gate code or codes for that town or city. The relevant address is then looked up in GIS to identify the new connection and that connection is then followed upstream to identify the source gas gate.

The review highlighted that in some areas, where it is possible for gas to be sourced from more than one gate within 'greater' gas gates, that the process could be more tightly defined to make it clear which addresses should be assigned to which gate, to ensure consistency.

RECOMMENDATION: First Gas should review its processes for assigning gas gates to ensure consistent assignment of ICPs that could be fed by more than one gas gate within a greater gas gate area.

For all new ICPs created in 2017, gas gate accuracy was reviewed by geocoding addresses by gas gate and looking for outliers.

The following issues were identified, which First Gas confirmed were all errors to be corrected:

- 1001295101NGF5E in Te Awamutu, had been associated wrongly with WAK22802
- 1001295035NG0A8 had been associated with WAK22801 instead of WAK 22802
- 1001295074NGE48 had a registry address which couldn't be found on maps. It was an invalid address.
- 1001294869NGA13 and 1001295011NGCF7 were both in Paraparaumu and had been correctly associated to the gas gate but had 'Waikato' showing in the registry as their region.

ALLEGED BREACH: 3 ICPs had been incorrectly assigned to the wrong gas gate. 2 ICPs had incorrect address details (rule 58.1).

Load shedding

The on-site review of processes included the process for deciding load shedding category. This is done using the information in Maximo about appliances and proposed load from the initial connection information. It is done at the same time as deciding the pricing category and the two should be aligned. First Gas had developed an Excel based tool to assist with this process.

During the sample check of new ICPs created after 1 August 2016 no errors in load shedding category were identified.

Altitude

First Gas use Elevationmap.net to determine the correct altitude for the registry, after first taking care to confirm the address details.

During the review of new ICPs created post 1 August 2016 none were found to have an incorrect altitude.

Network pressure

The rules governing ICP parameters as maintained by the distributors describe network pressure as “the value of the nominal operating pressure, expressed numerically in kilopascals, of the distribution system or transmission system to which the ICP’s consumer installation is connected”.

During the on-site audit the process for deciding the network pressure was reviewed. This is done by finding the address on the GIS system, identifying which pipeline supplies the ICP and reviewing the associated asset information. The most common rating is MP4 pipeline, which has a nominal pressure of 400 kPa. When First Gas started entering new ICPs into the gas registry they had used the wrong units and entered several ICPs with a network pressure of 4 instead of 400 as they hadn’t realised the unit was kPa. Some of these were identified during the audit sample checking and have been listed as breaches

RECOMMENDATION: First Gas should complete data cleansing to correct new ICPs entered with incorrect network pressures. First Gas has already commenced this.

During the review of a sample of 30 new ICPs created post 1 August 2016 additional examples of incorrect network pressures were found as follows:

1001294099NGA09	network pressure was 4, should be 400
1001293926NGA0C	network pressure was 4, should be 400
1001294109NGCEA	network pressure was 4, should be 400
1001294166NGCC4	network pressure was 4, should be 700

ALLEGED BREACH: Incorrect network pressures entered into the registry for 4 ICPs (rule 58.1)

Network Pricing Category

The on-site review of processes included the process for deciding pricing category. This is done using the information in Maximo about appliances and proposed load from the initial connection information. This was done at the same time as deciding the load shedding group and the two should be aligned. First Gas had developed an Excel based tool to assist with this process.

During the review of a sample of 30 new ICPs created since 1 August 2016, the following were found to have the incorrect price code.

1001294633NG681 Registry shows GN03 should be GN02

ALLEGED BREACH: Incorrect network pricing category entered into the registry for 1 ICP (rule 58.1)

4.3 Maintenance of ICP in the registry

First Gas acknowledged it does not yet have routine processes for checking data quality in the registry or for maintaining data that could change. To date changes are only made in response to a retailer request or as a result of an annual review of network price codes.

RECOMMENDATION: That First Gas initiate regular processes for identifying and rectifying data quality issues in their registry data

First Gas also had no process for decommissioning ICPs, except where new ICPs did not proceed. First Gas had assumed that the decommissioning status was changed automatically by the registry.

RECOMMENDATION: That First Gas initiate a process for decommissioning ICPs.

First Gas do have an annual process for confirming the network price category (see the relevant sub-heading below).

First Gas use the registry as their primary repository of ICP information so checks for consistency between the registry and a First Gas system were not relevant.

Gas Gates

The GIC had been working with distributors to review gas gate accuracy by geocoding addresses by gas gate and looking for outliers and providing the distributors with feedback. This work was therefore not repeated for all ICPs, other than that detailed above for all new ICPs from 1 January 2017, to see if new outliers had arisen.

All ICP address data from the registry was reviewed by gas gate for obviously incorrect town names. No issues arose.

The event audit for the Greater Mount Maunganui and Greater Tauranga gas gates in March 2016 found some errors in gate assignment. A sample of these ICPs were re-visited and it was confirmed that the gate assignments had been corrected.

Load shedding

The load shedding category of First Gas ICPs on the registry was compared with the allocation group, to look for invalid or unlikely combinations. Decommissioned ICPs were removed from the data before analysis.

- 6 ICPs with a load shedding category of DOM on the registry were associated with allocation group 1 on the registry.
- 51 ICPs with a load shedding category of DOM were associated with allocation group 4.
- 470 ICPs with a load shedding category of 6 were associated with allocation group 2 or 4
- 136 ICPs with a load shedding category of 4 were associated with allocation group 1, 2 or 6.
- 81 ICPs with a load shedding category of 3 were associated with allocation group 4 or 6.
- 1 ICP with a load shedding category of 1 was associated with allocation group 6.

First Gas was provided with this information and asked for comment on whether they considered their load shedding categories to be accurate. They prioritised the review of active ICPs and did an analysis of consumption information supplied by retailers for billing purposes. They concluded the load shedding category needed to be changed for 330 active ICPs as follows:

No of ICPs changed	Original load shedding category	Revised load shedding category
1	DOM	6
2	DOM	4
271	6	4
51	4	6
2	4	3
1	4	2
2	3	6

ALLEGED BREACH: 330 active ICPs were found to have incorrect load shedding categories (r 58.1)

The GIC list of critical contingency designations was compared against the registry details of First Gas ICPs. No discrepancies were found. This list is always reviewed by First Gas every time an updated list is received, and the registry reviewed and revised as necessary.

The distributor is required to allocate a new ICP a load shedding category before any gas has flowed. They only have limited information such as appliances to be installed from which maximum hourly quantities can be calculated. Load shedding categories are however based on consumption.

RECOMMENDATION: That First Gas should introduce a process where they routinely review load shedding categories for new ICPs once billing information of actual usage becomes available.

First Gas acknowledged that once the load shedding category was decided they did not do any subsequent review. Gas use changes over time and therefore load shedding categories can also change.

RECOMMENDATION: It is recommended the load shedding category should be more actively maintained. Data that is available that may assist are allocation group changes by retailers, billing information and retailer requests for metering upgrades.

Altitude

It is a distributor responsibility to populate the registry with correct altitude information to support compliance with NZS 5259:2015.

NZS 5259 contains the following points, which affect the way altitude information should be managed:

1. The maximum permissible error is $\pm 1.0\%$ where the meter pressure is below 100kPa and $\pm 0.5\%$ where the meter pressure is greater than 100kPa.

2. The following note is also included “To minimise uncertainty due to altitude factor the aim should be to determine the altitude to within 10m where practicable.”
3. The altitude factor can be assumed to be 1 where meters are situated at an elevation less than 50m above sea level.

The altitude recorded on the registry for a sample of First Gas ICPs was reviewed. The sample was selected by firstly looking for obvious outliers and then increasing the sample size through random selection. Altitude figures that are within approximately 90m of the actual altitude will ensure an accuracy of $\pm 1.0\%$. Point 2 above recommends altitude figures are determined to within 10m where practicable. The margin of error of the “google earth” data appears to be approximately $\pm 10m$, therefore, to allow for this margin, issues have only been raised where the registry data is more than $\pm 20m$ of “google earth” data. The issues identified are listed in the table below.

ICP	Altitude on registry	Altitude on Google Earth	Difference
1001286654NGF1A	6	70	-64
1001291896NG2FA	92	60	32
1001283502NG2BE 1001283503NGEFB 1001283504NG331 1001283505NGF74	4	37	-33
1001247971NG51F	10	56	-46
0001032591NGAA7	10	46	-36
0001017477NG67B	10	42	-32
0003023259NG46D	339	30	309
0003033862NGFAA	10	47	-37
1001293584NGE9A	80	25	55
0001033648NGB17	10	287	-277
0002002386NG121	1	277	-267
1001279985NGDEE	90	286	-196
0003031619NG168	5	342	-337

First Gas reviewed these and confirmed they were errors to be rectified.

ALLEGED BREACH: 16 ICPs had incorrect altitudes by more than +/-20m (rule 58.1)

Network pressure

The auditor did an analysis of all the First Gas ICPs in the registry to identify any large consumers with very low registry network pressures and small consumers with very high registry network pressures. These two lists were given to First Gas to verify the accuracy of the network pressures.

First Gas assessed these lists of outliers and concluded that the higher pressure ICPs were all correct, except for one which should be 400 not 700. Of the low network pressure ICPs they concluded four were errors from early in the First Gas ICP processing days where they used barg instead of kPa figures. First Gas are conducting a clean-up exercise of these ICPs.

ICP Identifier	Network Pressure	Load Shedding Category Code	ICP Status Code
1001294335NG20B	700	DOM	ACTC
Network pressure of 700 should be 400			
0001030543NG420	5	4	ACTC
1001294063NG88F	4	4	INACT
1001294113NG4D6	4	4	ACTC
1001294166NGCC4	4	4	READY
Network pressure entered into the system in barg instead of kPa.			

ALLEGED BREACH: An analysis of network pressure against load shedding category identified incorrect network pressures entered on the registry for 5 ICPs (rule 58.1)

Network pricing category

First Gas do have an annual process for confirming the network price category. This is done annually to ensure any update will catch the “Final” washup. The process extracts data from the registry into a cube for analysis. The last time this was done only one ICP was found that needed to be changed. First Gas acknowledged that the process was in its infancy and could be smarter, for example annual data was used but they did have access to kwh/month data from the registry, they could also use the allocation code to help identify inconsistencies.

Review of sample of established ICPs

As a part of the on-site audit a sample of 70 ICPs were reviewed – including examples of TOU and non-TOU with a range of creation dates. This review identified the following alleged breaches:

Incorrect altitude

0001000013NG801

1001294042NG99F

Incorrect gas gate

0001009223NG95E

0001035500NGD65

0009001287NG89D

1001290307NG3F6

1001293932NG1AB

Incorrect load shedding

0001014803NGCC0

0001025535NGF33

0001029298NGCF5

0009001220NGD48

1001268120NG1F2

Incorrect price category

0001029298NGCF5

0009000928NGDF2

1001249848NGD72

Incorrect network pressure

1001293988NG188

1001294152NGA36

1001293932NG1AB

ALLEGED BREACH: A review of a sample of 70 ICPs showed 18 instances of incorrect parameters (rule 58.1)

ALLEGED BREACH: First Gas has not used its reasonable endeavours to maintain current and accurate information in the registry by failing to have any process for maintaining registry data (r58.1). They do not:

- do any monitoring of data quality
- maintain ICP load shedding categories
- identify/update decommissioned ICPs

4.4 Notices of gas gate creation/decommissioning

Rule 45 requires that distributors notify the GIC, registry and allocation agent 20 business days prior to a gas gate creation or decommissioning taking effect.

There had been a new gas gate created at Papamoa 2 with a start date of 1 December 2016. First Gas supplied a copy of the e-mail notifying this change to the relevant parties more than 20 business days prior to the start date.

4.5 Publishing of network price category codes

It was confirmed that the price category codes are published on the First Gas website. This was viewed on 10 October and the prices from 1 October 2017 were available.

4.6 Disclosure of ICP information

No instances of information being withheld under rule 50 have occurred.

4.7 Loss factor codes

First Gas do not currently operate any loss factors.

5. Breach Allegations

Section	Summary of issue	Rules potentially breached
4.2	3 ICPs within a sample of 30 new ICPs were not created within 3 business days of request.	r 51.2
4.2	3 ICPs created in 2017 had been incorrectly assigned to the wrong gas gate. 2 ICPs had incorrect address details.	r 58.1
4.2	From a sample of 30 new ICPs 5 errors were found: 4 ICPs had incorrect network pressures. 1 ICP had an incorrect network pricing category.	r 58.1
4.3	A review of ICPs with unusual or incompatible load shedding categories/allocation groups	r 58.1

	found 330 active ICPs to have incorrect load shedding categories.	
4.3	A review of altitude outliers on the registry found 16 ICPs with incorrect altitudes.	r 58.1
4.3	A review of the registry for unexpected combinations of network pressures and load shedding category identified 5 ICPs with incorrect network pressures.	r 58.1
4.3	A review of a sample of 70 established ICPs found 18 errors: 2 ICPs had incorrect altitudes 5 ICPs had incorrect gas gates 5 ICPs had incorrect load shedding categories 3 ICPs had incorrect price categories 3 ICPs had incorrect network pressures	r 58.1
4.3	First Gas has not used its reasonable endeavours to maintain current and accurate information in the registry by failing to have any process for maintaining registry data. They do not: <ul style="list-style-type: none"> • do any monitoring of data quality • maintain ICP load shedding categories • identify/update decommissioned ICPs 	r 58.1

6. Conclusion

The summary of report findings shows that the First Gas control environment, for the ten areas evaluated, was found to be “effective” for six areas, “adequate” for one area, “not adequate” for one area and two areas were found not to be applicable.

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

RECOMMENDATION: It is recommended that First Gas add a routine check to their ICP creation process to ensure ICP identifiers have the correct ‘NG’ code as the 11th and 12th characters.

OBSERVATION Rules 51 and 53 do not reflect the process undertaken by First Gas and apply time constraints that have no relevance. If this is true of other distributors there may be a case for a review of the rules to align with the operational processes.

RECOMMENDATION: Consider a review of rules 51 and 53 once all the distributors have undergone their first audit.

RECOMMENDATION: First Gas should review its processes for assigning gas gates to ensure consistent assignment of ICPs that could be fed by more than one gas gate within a greater gas gate area.

RECOMMENDATION: First Gas should complete data cleansing to correct new ICPs entered with incorrect network pressures. First Gas has already commenced this.

RECOMMENDATION: That First Gas initiate regular processes for identifying and rectifying data quality issues in their registry data

RECOMMENDATION: That First Gas initiate regular processes for identifying ICPs that need the load shedding category to be revised.

RECOMMENDATION: That First Gas initiate a process for decommissioning ICPs.

RECOMMENDATION: That First Gas should introduce a process where they routinely review load shedding categories for new ICPs once billing information of actual consumption becomes available.

RECOMMENDATION: It is recommended that the load shedding category should be actively maintained. Data that is available to assist includes allocation group changes by retailers, billing information and retailer requests for metering upgrades.

Appendix A – 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>