Terms of reference for retailer performance audits

Under the Gas (Downstream Reconciliation) Rules 2008 (Rules), Gas Industry Co has the responsibility of commissioning performance audits of allocation participants and the allocation agent. The purpose of the performance audits is to assess compliance with the Rules, as well as the systems and processes put into place to enable compliance with the Rules.

Under the Rules, the term 'allocation participants' includes retailers, distributors, meter owners, and transmission system owners. This document relates specifically to the terms of reference that apply to performance audits for gas retailers, as audits of other participants will necessarily involve different aspects of performance.

Rule 65.2.1 and 65.2.2 provide that

The purpose of a performance audit under this rule is to assess in relation to the **allocation agent** or an **allocation participant**, as the case may be, —

65.2.1 The performance of the **allocation agent** or that **allocation participant** in terms of compliance with these **rules**; and

65.2.2 The systems and processes of the **allocation agent** or that **allocation participant** that have been put in place to enable compliance with these **rules**.

The performance audits will therefore seek to assess both the systems and processes that d have established in relation to their responsibilities under the Rules and actual compliance with the Rules. The specific matters that the audit must assess are listed in the table below.

		Reconciliation Rules: Retailer obligations	
Rule(s)	**Issue**	**Audit of retailer systems and processes:** Auditors will evaluate the following aspects of retailers' operations	**Audit of retailer compliance with the Rules** Auditors will:
26.2 28.2	Set up and maintenance of ICP/metering/billing information in systems	• Processes to establish and maintain metering set up information for new and existing ICPs (including when meters are changed out) • Processes to set up and maintain ICP information relevant to consumption calculations • Processes to set up and maintain non ICP/metering set up information relevant to consumption calculations	• Obtain a sample of ICPs from retailer's databases (both ToU and non-ToU) so as to obtain statistically significant results • Compare metering set up information relevant to meter owners with information from meter owners (including meter pressure, number of dials to be read for 1 m^3) • Validate processes used to establish and maintain other ICP set up information relevant to calculation of billing factors (network pressure if relevant, altitude) • Validate processes used to establish and maintain non ICP/metering set up information relevant to calculation of billing factors (temperature, gas composition data)
26.5	Maintenance of registry information	• Processes to populate ICP information for new ICPs on the gas registry • Processes to ensure ICP information held on the registry is accurate and up to date	• Obtain a sample of new ICPs and a sample of ICPs that existed prior to registry go-live from retailer's databases • Compare information on responsible retailer, ICP status, connection status, allocation group, and profile code held in registry with information in retailer's databases • Validate processes used to establish and maintain ICP information in the registry • Obtain download of retailer's customer database by ICP, annual consumption, and allocation group. Check that ICPs are allocated to allocation group correctly.
39	Gas trading notices	• Processes to give notice to the allocation agent when commencing or ceasing to supply gas to consumers at an allocated gas	• Validate processes used to generate gas gate trading notices

		gate	
28.1 28.4.2 29.1- 29.5 40.2	Meter reading and validation	• Processes to ensure meters are read in accordance with the requirements of the ICP allocation group • Processes to record and store register reading data for at least 30 months • Processes to validate meter readings and deal with exceptions • Processes to revise data when errors occur	• For a sample of ToU and non-ToU ICPs, obtain where available 30 months of raw register reading data from the relevant meter reading service provider and compare with the equivalent data held in the retailer's systems • Verify the retailer's compliance with the requirement to store register reading data for a minimum period of 30 months • Verify the retailer's compliance in reporting to the allocation agent the number and percentage of validated register readings during the previous four and twelve months • Verify that ICPs are assigned to the correct allocation group in accordance with rule 29
28.2	Energy consumption calculation	• Processes to convert measured volume to volume at standard conditions, and volume at standard conditions to energy consumption (application of "billing factors")	• Obtain a sample of ToU and non-ToU ICPs across several gas gates and extract 30 months of meter reading data for them • For each ICP, convert the volume between meter readings to volume at standard conditions, and volume at standard conditions to energy consumption, and compare with the retailer's calculations • Confirm application and storage of billing factors, and underlying data used for the calculation, complies with NZS 5259
34 – 36 30.3 40 55-56 37.2	Estimation	• Processes to estimate consumption where forward estimates are required, and for historical estimates where seasonal adjustment daily shape values have not been supplied by the allocation agent for the full read-read period • Processes to ensure compliance of the	• Obtain a sample of allocation group 3 to 6 ICPs from retailer's databases and extract 30 months of meter reading data for them • Verify that historical and forward estimation processes were conducted appropriately and in accordance with the rules • Verify the retailer's compliance in reporting the

		calculation for historical estimates where seasonal adjustment daily shape values have been supplied by the allocation agent for the full read-read period • Processes to estimate consumption for ToU consumers • The application, use and maintenance of registered deemed profiles (where appropriate)	proportion of historical estimates contained in the consumption information provided to the allocation agent • Investigate extent of compliance, and efforts to comply, with the initial submission accuracy requirement • Review appropriateness of retailer's ToU estimation methodology • Identify differences between billing and submission information estimation algorithms, and validate whether reasonable or not
30 – 33 28.4 52	Submission information	• Processes to build and submit consumption information to the allocation agent for initial, interim and final allocations • Processes to build and submit billed information to enable annual reconciliation • Processes to revise data when metering or metering/billing set up errors are discovered	• For the ICPs examined under the 'Energy consumption calculation' and 'Estimation' sections, compare the calculated and estimated consumption with consumption information and billed information submitted to the allocation agent, and with the consumption billed to customers • For the sampled ICPs, validate data submitted to the allocation agent by comparing with data sourced from the allocation agent • For the sampled ICPs, validate billed data through inspection of customer invoices • For all ICPs, compare number of ICPs in each allocation group with numbers submitted to the allocation agent and numbers of active ICPs recorded in the registry • Verify retailer's compliance with the requirement to store consumption information submitted to the allocation agent in such a manner that it cannot be altered without leaving a detailed audit trail
	General compliance	• Check for closure of unresolved issues from previous performance audits and event audits • Processes developed as a result of a	• Review unresolved discrepancies from UFG event audits to determine whether actions taken to close and/or correct for any errors were appropriate • Review instances of alleged breaches of the Rules

| | | determination or recommendation made by the market administrator, market investigator or rulings panel | notified to the Market Administrator including steps taken to improve compliance/mitigate re-occurrence of breaches |