

VERITEK

# Gas Registry and Switching Performance Audit Final Report

For

**Nova Energy Limited**



Prepared by

Steve Woods: Veritek Limited

Date of Audit: 30/06/20 & 01/07/20

Date Audit Report Complete: 26/10/20

## Executive Summary

This Performance Audit was conducted at the request of the Gas Industry Company (GIC) in accordance with Rule 88 of the Gas (Switching Arrangements) Rules 2008 in effect from 14 September 2015.

The purpose of this audit is to assess the systems, processes and performance of Nova Energy Limited (Nova) in terms of compliance with these rules.

The audit was conducted in accordance with terms of reference prepared by GIC.

The summary of report findings in the table below shows that Nova's control environment is "effective" for eleven of the areas evaluated and "adequate" for three areas.

Nine of the 14 areas evaluated were found to be compliant. Five breach allegations are made in relation to the remaining areas. They are summarised as follows:

- the Registry not updated as soon as practicable for 22 out of 60 ICPs,
- I have concluded that best endeavours were not demonstrated with regard to:
  - the accuracy of inactive statuses and reasons,
  - discrepancy reporting, which has not identified discrepancies for one meter pressure and one network pressure,
- two GNT files sent later than two business days after entering into a contract to supply gas to a consumer,
- one incorrect date of last meter reading, and
- six of 20 GNC estimates recorded as actuals.

Two recommendations were made during this audit, as follows:

1. check 20 ICPs where network pressure is the same or lower than meter pressure, and
2. develop validation for possible network pressure discrepancies.

## Summary of Report Findings

Issue	Section	Control Rating (Refer to Appendix 1 for definitions)	Compliance Rating	Comments
Participant registration information	2	Effective	Compliant	Participant registration information is correct.
Obligation to act reasonably	3	Effective	Compliant	No examples of Nova acting unreasonably were found.
Obligation to use registry software competently	4	Effective	Compliant	No examples of Nova using registry software incompetently were found.
ICP identifier on invoice	5	Effective	Compliant	The ICP identifier is shown on Nova's invoices.
Uplift of READY ICP	6	Effective	Compliant	Nova has effective controls to ensure the registry is populated in a timely manner. This is made difficult on the Powerco network because Nova is not notified of the existence of ICPs until they are connected and meters are installed, which often delays the update.
Maintenance of ICP information in registry	7	Adequate	Not compliant	Registry not updated as soon as practicable for 22 out of 60 ICPs.

Issue	Section	Control Rating (Refer to Appendix 1 for definitions)	Compliance Rating	Comments
Resolving discrepancies	8	Adequate	Not compliant	<p>This rule requires the responsible retailer to use “best endeavours” to resolve discrepancies between their data and registry data. I have concluded that the best endeavours threshold has not been met in relation to:</p> <ul style="list-style-type: none"> <li>the accuracy of inactive statuses and reasons,</li> <li>discrepancy reporting, which has not identified discrepancies one meter pressure and one network pressure</li> </ul> <p>I recommend the following: Check 20 ICPs where network pressure is the same or lower than meter pressure. Develop validation for possible network pressure discrepancies.</p>
Initiation of consumer switch/switching notice	9.1	Effective	Not compliant	Two GNT files sent later than two business days after entering into a contract to supply gas to a consumer.
Response to a gas switching notice	9.2	Effective	Compliant	No issues were found with this process.
Gas acceptance notice	9.3	Effective	Compliant	No issues were found with this process.
Gas transfer notice	9.4	Effective	Not compliant	One incorrect date of last meter reading.
Accuracy of switch readings	9.5	Effective	Compliant	Switch readings are accurate.
Gas switching withdrawal	9.6	Effective	Compliant	No issues were found with this process.
Switch reading negotiation	9.7	Adequate	Not compliant	6 of 20 GNC estimates recorded as actuals.

## Persons Involved in This Audit

Auditors:

Steve Woods  
**Veritek Limited**

Tara Gannon  
**Veritek Limited**

Nova personnel assisting in this audit were:

Name	Title
Natasha Dauphin	Retail Operations Manager
Abdul Osman	Gas TOU Billing Manager
Christina Ah Mann	Metering and New Connections Team Leader
Amy Kinmont	Business Analyst

# Contents

Executive Summary	2
Summary of Report Findings	3
Persons Involved in This Audit	5
Contents	6
<b>1. Pre-Audit and Operational Infrastructure Information</b>	<b>7</b>
1.1 Scope of Audit	7
1.2 Audit Approach	8
1.3 General Compliance	9
1.3.1 Summary of Previous Audit	9
<b>1.3.2 Breach Allegations</b>	<b>9</b>
1.4 Provision of Information to the Auditor (Rule 91)	11
1.5 Draft Audit Report Comments	11
<b>2. Participant Registration Information (Rules 7 and 10)</b>	<b>11</b>
<b>3. Obligation to Act Reasonably (Rule 34)</b>	<b>11</b>
<b>4. Obligation to Use Registry Software Competently (Rule 35)</b>	<b>12</b>
<b>5. ICP Identifier on Invoice (Rule 36)</b>	<b>12</b>
<b>6. Uplift of Ready ICP (Rule 54)</b>	<b>12</b>
<b>7. Maintenance of ICP Information in the Registry (Rules 58 to 61)</b>	<b>13</b>
<b>8. Resolving Discrepancies (Rule 62.1)</b>	<b>16</b>
<b>9. Switching</b>	<b>19</b>
9.1 Initiation of Consumer Switch / Switching Notice (Rules 65 to 67)	19
9.2 Response to a Gas Switching Notice (Rules 69 to 75)	21
9.3 Gas Acceptance Notice (Rule 70)	21
9.4 Gas Transfer Notice (Rule 72)	21
9.5 Accuracy of Switch Readings (Rule 74)	22
9.6 Gas Switching Withdrawal (Rules 74A, 75, 76, 78)	22
9.7 Switch Reading Negotiation (Rule 79, 81)	23
<b>10. Bypass of Distributor (Rule 82)</b>	<b>24</b>
<b>11. Recommendations</b>	<b>24</b>
Appendix 1 – Control Rating Definitions	25
Appendix 2 – Nova Energy Comments	26

# 1. Pre-Audit and Operational Infrastructure Information

## 1.1 Scope of Audit

This Performance Audit was conducted at the request of the GIC in accordance with Rule 88 of the Gas (Switching Arrangements) Rules 2008 in effect from 14 September 2015.

88. Industry body to commission performance audits
- 88.1 The industry body must arrange performance audits of registry participants at intervals of no greater than five years.
  - 88.2 The purpose of a performance audit under this rule is to assess in relation to the roles performed by a registry participant -
    - 88.2.1 The performance of the registry participant in terms of compliance with these rules; and
    - 88.2.2 The systems and processes of that registry participant that have been put in place to enable compliance with these rules.

The audit was conducted in accordance with terms of reference prepared by GIC.

The audit was carried out in Auckland on 30<sup>th</sup> June and 1<sup>st</sup> July 2020.

The scope of the audit includes compliance with the “switching arrangements” rules only. There is a separate report for downstream reconciliation.

## 1.2 Audit Approach

As mentioned in **section 1.1** the purpose of this audit is to assess the performance of Nova in terms of compliance with the rules, and the systems and processes that have been put in place to enable compliance with the rules.

This audit has examined the effectiveness of the controls Nova has in place to achieve compliance, and where it has been considered appropriate sampling has been undertaken to determine compliance.

Where sampling has occurred, this has been conducted using the Auditing Standard 506 (AS-506) which was published by the Institute of Chartered Accountants of New Zealand. I have used my professional judgement to determine the audit method and to select sample sizes, with an objective of ensuring that the results are statistically significant.<sup>1</sup>

Where compliance is reliant on manual processes, manual data entry for example, the sample size has been increased to a magnitude that, in my judgement, ensures the result has statistical significance.

Where errors have been found or processes found not to be compliant the materiality of the error or non-compliance has been evaluated.

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<sup>1</sup> In statistics, a result is called statistically significant if it is unlikely to have occurred by chance. (Wikipedia)

## 1.3 General Compliance

### 1.3.1 Summary of Previous Audit

The previous audit was conducted in 2017 by Veritek. The table below shows the findings of this audit and whether the issues have been resolved.

Breach Allegation	Rule	Section in this report	Status
Registry not populated within two business days for 243 ICPs.	54.1	6	Still existing
Registry updates not occurring as soon as practicable.	61.1	7	Still existing
The best endeavours threshold has not been met in relation to the timeliness and event date for meter pressure corrections.	62.1	8	Resolved

### 1.3.2 Breach Allegations

The table below shows the breaches recorded by the Market Administrator for the audit period.

Breach month	Underlying breaches	Rule allegedly breached	Details
May-17	243	54.1	Ready ICPs not uplifted within 2 business days.
May-17	151	61.1	Registry information not corrected as soon as practicable.
May-17	1	62.1	The best endeavours threshold was not met in relation to the timeliness and event date for meter pressure corrections.
Sep-17	1	69.1	Late response to a gas switching notice.
Apr-18	228	58.1	Reasonable endeavours not used to ensure accurate registry information.
Jul-19	1	69.2	Switch not complete within 10 business days.
Sep-19	2	67.3	Incorrect requested switch date.

As noted in the Summary of Report Findings, non-compliance was found in relation to five sections of this audit. Breach allegations are made in relation to these matters, as follows:

<b>Breach Allegation</b>	<b>Rule</b>	<b>Section in this report</b>
Registry not updated as soon as practicable for 22 out of 60 ICPs.	61.1	7
Best endeavours not demonstrated with regard to: <ul style="list-style-type: none"> <li>the accuracy of inactive statuses and reasons,</li> <li>discrepancy reporting, which has not identified discrepancies for one meter pressure and one network pressure</li> </ul>	62.1	8
Two GNT files sent later than two business days after entering into a contract to supply gas to a consumer.	66.1	9.1
One incorrect date of last meter reading.	72.1.5	9.4
6 of 20 GNC estimates recorded as actuals.	79.4.6	9.7

## 1.4 Provision of Information to the Auditor (Rule 91)

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

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

## 1.5 Draft Audit Report Comments

A draft audit report was provided to the industry body (GIC), the registry operator, and registry participants that I considered had an interest in the report. In accordance with rule 92.3 of the 2015 Amendment Version of the Gas (Switching Arrangements) Rules 2008, those parties were given an opportunity to comment on the draft audit report and indicate whether they would like their comments attached as an appendix to the final audit report. The following responses were received.

Party	Response	Comments provided	Included in report
Nova	Yes	Yes	Yes

Nova's comments are included in each section where recommendations are made, or non-conformance is recorded.

## 2. Participant Registration Information (Rules 7 and 10)

All registry participants must supply registration information to the registry operator. Registration information consists of:

- the name of the registry participant,
- the registry participant's telephone number, physical address, facsimile number, email address, and postal address, and
- identification as to which class, or classes, of registry participant (retailer, distributor or meter owner) that the registry participant belongs.

Registration information must be given in the form and manner required by the registry operator as approved by the industry body. Every person who is a registry participant at the commencement date must supply the registration information within 20 business days of the commencement date. Every person who becomes a registry participant after the commencement date must supply the registration information within 20 business days of becoming a registry participant.

Nova has supplied accurate registration information. Compliance is confirmed.

## 3. Obligation to Act Reasonably (Rule 34)

No examples of Nova acting unreasonably were found.

#### **4. Obligation to Use Registry Software Competently (Rule 35)**

No examples of Nova using registry software incompetently were found.

#### **5. ICP Identifier on Invoice (Rule 36)**

The ICP identifier is shown on Nova's invoices.

#### **6. Uplift of Ready ICP (Rule 54)**

The process was examined for the connection and activation of new ICPs.

New connections are managed via the networks' portals. Progress notifications are automatically generated, and the relevant details are manually loaded into Orion.

One of the main issues with the new connections process is that the physical connection is made at the property when the ICP is still at the "Ready" status. At this point the consumer hasn't always registered with a retailer, even though gas is being consumed. Because networks will create ICPs based on a request from the customer, the retailer is not always included in the communication process. For reconnections, some customers do not sign up with a retailer until a "vacant disconnection" letter is sent.

Because of the potential delays with the registry update, for some ICPs where the status has changed to ACTC, consumption information may not be provided to the allocation agent for the initial allocation. I checked five ICPs where the update to the registry was later than 30 business days and I found that submission of consumption information to the allocation agent occurred at the beginning of the following month for all five. Whilst the ICPs were made "Ready", consumption did not occur for some weeks after the "Ready" date.

The "Maintenance Breach History Report (RET breaches)" report was examined for the period January 2019 to April 2020. This report contained 144 ICPs where the initial registry update was later than two business days out of a total of 1,077 new connections. I checked the records for 21 ICPs where the registry update was more than five business days late. 16 examples were populated late due to the "ready" status update being delayed by Powerco. The design of Powerco's new connection process means that ICPs are not changed to "ready" and the retailer is not notified until the ICP is connected and metered. Once Nova was notified that these ICPs were connected, customer contact was made, and the registry was populated within two business days of confirming all relevant details.

Five of the 21 examples had corrections made to the registry data, making them appear as late updates, but the initial update was within two business days of agreement with the customer.

The "RSREADY" report contained three ICPs at the "ready" status where Nova was the expected retailer. By the time of the on-site audit, all three had been changed to ACTC. Nova has a daily report to identify ICPs at "new" or "ready" where they are the proposed retailer.

## 7. 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 (Rule 58) 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” (Rule 61). The Rules do not define a specific time period but for the purpose of this audit I checked the reasons for late updates for a selection of 60 ICPs. I have recorded breach allegations where I consider the reason for the late update was within Nova’s control and additional steps could have been taken to prevent the late update.

Analysis of status events was undertaken to determine whether the registry was populated as soon as practicable. The table below shows the results of the analysis.

Status	Total ICPs	Update greater than 5 days	Update greater than 30 days	Average update days
ACTC	4,229	1,112	150	7.0
ACTV	36	3	0	2.0
INACT	1,644	137	28	3.0
INACP	118	44	1	7.0

I checked a selection of ICPs for each status to confirm whether compliance was achieved with the requirement to update the information “as soon as practicable”.

Status	ICPs checked	Number of breaches
ACTC	30	2
ACTV	3	2
INACT	16	16
INACP	11	2

<b>ACTC updates</b>				
<b>ICP</b>	<b>Event date</b>	<b>Input date</b>	<b>Business days</b>	<b>Reason</b>
0002183491QT56B	30/01/2020	04/03/2020	23	The daily status mismatch report identified this discrepancy, but it was not processed immediately.
0003008380NG857	30/01/2020	04/03/2020	23	The daily status mismatch report identified this discrepancy, but it was not processed immediately.

Most of the other late updates were due to backdated switching, or because other retailers had made status changes for periods prior to Nova ownership; Nova's discrepancy reports identified these issues quickly, but the event date had to be backdated to the switch in date.

<b>ACTV updates</b>				
<b>ICP</b>	<b>Event date</b>	<b>Input date</b>	<b>Business days</b>	<b>Reason</b>
0000037671QT441	13/10/2019	19/11/2019	14	Population of the incorrect status reason – processing error.
0000335331QTC15	27/07/2019	27/08/2019	21	Delayed notification from the field that this ICP existed.

INACT updates				
ICP	Event date	Input date	Business days	Reason
0000225471QTD3F	4/02/2019	18/09/2019	157	Incorrect registry status corrected
0000288651QT6A5	8/04/2019	18/09/2019	113	Incorrect registry status corrected
0001006578NG9E0	29/01/2019	18/09/2019	161	Incorrect registry status corrected
0001026597NG549	8/04/2019	27/09/2019	120	Incorrect registry status corrected
0001027954NG3CA	18/03/2019	19/09/2019	129	Incorrect registry status corrected
0001163079NA188	29/05/2019	26/03/2020	209	Meter removed not identified
0002207051QTB94	15/05/2019	18/09/2019	89	Incorrect registry status corrected
0002216131QT421	16/05/2019	18/09/2019	88	Incorrect registry status corrected
0002284021QT30C	4/11/2019	31/03/2020	101	Incorrect date used – processing error
0004210945NGCE4	27/02/2019	18/09/2019	141	Incorrect registry status corrected
0007002516NGC92	27/05/2019	18/09/2019	81	Incorrect registry status corrected
0042108350PG194	4/02/2019	18/09/2019	157	Incorrect registry status corrected
0075002422PGFDF	30/01/2019	18/09/2019	160	Incorrect registry status corrected
1000574043PG76D	29/04/2019	18/09/2019	101	Incorrect registry status corrected
1001111116QTBEE	6/03/2019	18/09/2019	136	Incorrect registry status corrected
1001272017QT2A3	25/02/2019	18/09/2019	143	Incorrect registry status corrected

INACP updates				
ICP	Event date	Input date	Business days	Reason
0000085311QT3FD	22/02/2020	23/07/2020	24	Processing issue
0001440240PG89C	24/06/2019	30/07/2019	26	Processing issue

Non-Conformance	Description	Audited party comment
<p><b>Regarding:</b> Rule 61.1</p> <p><b>Control Rating:</b> Adequate</p>	<p>Registry not updated as soon as practicable for 22 out of 60 ICPs.</p>	<p><b>Response:</b> Acknowledge</p> <p><b>Comments:</b></p> <ul style="list-style-type: none"> <li>• 19 ICPs were due to human error <ul style="list-style-type: none"> <li>• New team member misalignment with understanding of status' and timelines</li> </ul> </li> <li>• 2 ICPs were due to external impacts <ul style="list-style-type: none"> <li>• Delays in receiving responses to queries on the validity of the data being received</li> </ul> </li> <li>• Wider team discussion and one on one refresher training provided June 2020 <ul style="list-style-type: none"> <li>• Including updating process documentation June 2020</li> </ul> </li> <li>• Nova have identified an opportunity within improved discrepancy reporting, implementation September 2020.</li> </ul>

## 8. Resolving Discrepancies (Rule 62.1)

As mentioned in **section 7**, Nova has a set of data integrity reports to identify and resolve discrepancies, which was demonstrated during the audit. This check includes network pressure, which was a recommendation from the last audit.

Network pressure for ICP 0000182881QTF18 was incorrectly recorded in Orion as 275 kPa instead of 400 kPa. Because the network pressure and meter pressure were the same, the Joule Thomson temperature adjustment was not applied. The incorrect network pressure did not result in the temperature factor being outside the threshold allowed by NZS 5259:2015. Nova is investigating why this ICP did not appear in the discrepancy reporting. I have made a recommendation to ensure visibility of the results of this investigation.

There are 20 ICPs where the network pressure is the same as or less than the meter pressure. Three of the ICPs are “operating at network pressure”, but the other 17 are not. I recommend Nova includes network pressure reasonableness in their validation reporting and I recommend all 20 ICPs are checked with the distributors to determine if the network pressure is correct.

Recommendation	Audited party comment
<p>Check 20 ICPs where network pressure is the same or lower than meter pressure. Develop validation for possible network pressure discrepancies.</p>	<p><b>Response:</b> Recommendation accepted</p> <p><b>Comments:</b></p> <ul style="list-style-type: none"> <li>• All 20 instances identified during the audit have been reviewed directly with the distributors and MEP with actions completed.</li> <li>• 1 ICP still to be completed, September 2020</li> <li>• Nova will review, update and where required implement improved reporting</li> <li>• Implementation September 2020.</li> </ul>

I checked several of the validation reports in detail, specifically those where errors could lead to incorrect submission of consumption information to the allocation agent. The reports checked in detail included the following:

- ICP status discrepancies, including status change dates,
- altitude – this is a monthly check between Orion and the registry, any adjustments flow through to the relevant submission and revision files,
- meter pressure discrepancies,
- allocation group, and
- gas gate.

I checked four ICPs that were ACTC but where meters were recorded as “removed” in the registry. These were all merely timing issues between the meter removal data and the status change date. There was no impact on consumption information.

Nova compares their metering fields against registry metering fields on a daily basis. 12 examples were checked where correction occurred due to meter pressure changes. They were all processed as soon as practicable after identification. Revisions of consumption information will occur for these ICPs because the new meter pressure will be automatically applied to all revisions. If a change occurs on a specific date, a different process is used to ensure the different meter pressures are applied to the correct time periods. There were three examples where the meter owner had the incorrect start date for the new meter pressure, but in all cases, Nova had checked the meter docket to confirm the correct date. I compared the Orion and registry meter information as at 27/03/2020. I found ICP 0002310741QT6D6 had a pressure of 1.5 kPa recorded on the registry and 2.5 kPa recorded in Orion. The pressure was corrected in Orion prior to the audit by processing a system meter change, and I confirmed that all consumption had the correct pressure factor applied following this change. The error occurred because the pressure was manually loaded incorrectly following a meter change in

2018. Nova is investigating their reporting to identify why this example did not appear. I have made a recommendation to ensure visibility of the result of this investigation.

Recommendation	Audited party comment
I recommend Nova investigate meter pressure and network pressure reporting to determine why a small number of ICPs were not included in the reports.	<p><b>Response:</b> Recommendation accepted</p> <p><b>Comments:</b></p> <ul style="list-style-type: none"> <li>• As per above recommendation, Nova will review, update and where required implement improved reporting</li> <li>• Implementation September 2020.</li> </ul>

All allocation group 1 and 2 ICPs have TOU metering recorded as expected. 77 of the ICPs had a GGRP profile recorded, instead of XTOU as expected. These were all corrected during the audit.

ICP 0001004342NG9CF (allocation group 6) and 0011003117PGC1C (allocation group 4) had the XTOU profile assigned instead of GGRP as expected. Both were corrected during the audit.

I checked the detailed records for 87 ICPs to confirm whether the status reason was correct. I found 49 errors when checking the reasons against the records provided from the field. Most of the errors were for ICPs at the INACP status, where the status should have been INACT.

There were nine ICPs where consumption was recorded for INACT ICPs. The presence of consumption indicates that the status was incorrect for the period consumption was recorded.

This rule requires the responsible retailer to use “best endeavours” to resolve discrepancies between their data and registry data. I have concluded that the best endeavours threshold has been met by Nova for all areas apart from the following:

- inactive status and associated reasons,
- minor gaps in the discrepancy reporting, and
- some incorrect INACT statuses where consumption was present.

Non-Conformance	Description	Audited party comment
<p><b>Regarding:</b> Rule 62.1</p> <p><b>Control Rating:</b> Adequate</p>	<p>Best endeavours not demonstrated with regard to:</p> <ul style="list-style-type: none"> <li>• the accuracy of inactive statuses and reasons,</li> <li>• discrepancy reporting, which has not identified discrepancies for one meter pressure and one network pressure</li> </ul>	<p><b>Response:</b> Acknowledge</p> <p><b>Comments:</b></p> <ul style="list-style-type: none"> <li>• Accuracy of inactive status <ul style="list-style-type: none"> <li>• New team member misalignment with understanding of status' and timelines</li> <li>• Wider team discussion and one on one refresher training provided April 2020 <ul style="list-style-type: none"> <li>○ Including updating process documentation May 2020</li> </ul> </li> </ul> </li> <li>• Discrepancy Reporting <ul style="list-style-type: none"> <li>• See outcomes in recommendations above</li> </ul> </li> <li>• Incorrect INACT statues where consumption was present <ul style="list-style-type: none"> <li>• ICPs with consumption were identified via reporting</li> <li>• New user updated the status' incorrectly</li> </ul> </li> <li>• Refresher training completed and process documentation updated May 2020</li> </ul>

## 9. Switching

### 9.1 Initiation of Consumer Switch / Switching Notice (Rules 65 to 67)

Nova has Use of System Agreements with all relevant distributors.

I checked a sample of 20 GNT files to confirm they were sent within two business days of entering into a contract to supply gas to the consumer. Two of the 20 files were not sent within two business days of the agreement date. One example was due to a delay between departments once a credit check was complete. This matter is now resolved through automation. The second example was due to a processing issue.

All GNT files for standard switches were sent prior to the event date. Compliance is confirmed.

No GNT files were sent more than 10 business days in advance of the switch date. Compliance is confirmed.

Non-Conformance	Description	Audited party comment
<p><b>Regarding:</b> Rule 66.1</p> <p><b>Control Rating:</b> Effective</p>	<p>Two GNT files sent later than two business days after entering into a contract to supply gas to a consumer.</p>	<p><b>Response:</b> Acknowledge</p> <p><b>Comments:</b></p> <ul style="list-style-type: none"> <li>• One ICP <ul style="list-style-type: none"> <li>• Nova’s pre-conditions on receipt of contract request were initially not met. Once those conditions had been met a delayed time had lapsed.</li> <li>• Internal communication Lapse meant the GNT was not sent within the required timeframe, <ul style="list-style-type: none"> <li>○ Additional controls will be implemented to actively manage these moving forward.</li> <li>○ Implementation September 2020</li> </ul> </li> </ul> </li> <li>• One ICP <ul style="list-style-type: none"> <li>• Whilst the customer met Nova’s pre-conditions an incorrect switch type was requested based on lack of information from the consumer. Once this was established Nova requested the ICP with a backdated date to ensure accurate records and timelines were being captured.</li> <li>• Nova expect these things to happen from time to time and the required actions were taken as soon as the information was made available.</li> </ul> </li> <li>• Refresher training within Switching and internal stakeholders undertaken August 2020</li> </ul>

## **9.2 Response to a Gas Switching Notice (Rules 69 to 75)**

Within two business days of receiving a gas switching notice, the responsible retailer must provide to the registry:

1. a gas acceptance notice (GAN), or
2. a gas transfer notice (GTN), or
3. a gas switching withdrawal notice (GNW).

The switch breach report confirmed there were no late files during the audit period. Compliance is confirmed.

## **9.3 Gas Acceptance Notice (Rule 70)**

A sample of 15 GAN files was checked to confirm the accuracy of the content and that the expected switch date was not later than 10 business days as stipulated in Rule 70.2.2. There were no incorrect switch dates and all AN response codes were correct. AN response codes are automatically populated based in information in Orion.

Compliance is confirmed.

## **9.4 Gas Transfer Notice (Rule 72)**

The content of a sample of 20 GTN files was checked to confirm accuracy. One minor error was identified. One ICP had an incorrect date of last read.

I checked the records for 15 of 308 ICPs where the annual consumption was zero. In all cases, zero was correct because the ICPs were vacant, had a very short switch in period, or genuinely had zero consumption.

The switch breach detail report confirmed that all files were sent on time.

Non-Conformance	Description	Audited party comment
<p><b>Regarding:</b> Rule 72.1.5</p> <p><b>Control Rating:</b> Effective</p>	One incorrect date of last meter reading.	<p><b>Response:</b> Acknowledged</p> <p><b>Comments:</b></p> <ul style="list-style-type: none"> <li>Nova's switch out process checks the current active account for a last actual read/date and if none, will check the last previous account and use the read/date from that read history.</li> <li>In this instance when the prior account was closed the user incorrectly labelled the current active accounts opening read as an actual instead of an estimate. This caused the GTN to pick up the incorrect date of the last meter reading.</li> </ul>

## 9.5 Accuracy of Switch Readings (Rule 74)

The checks discussed in **section 9.4** included switch readings, which were all accurate. Compliance is confirmed.

## 9.6 Gas Switching Withdrawal (Rules 74A, 75, 76, 78)

An analysis was undertaken of GNWs (switching withdrawal notices) to identify the number within each reason category. This was done as both the recipient of the GNW and as the initiator of the GNW. The results are shown in the tables below, where I have left in the 2017 results to show the 2020 results are similar.

### GNW files sent and received 2017

GNW Files	CR	DF	IN	MI	UA	WP	WS	Total	% of GNTs
GNW Sent (old retailer)	539	10	0	16	6	67	99	737	12.84%
GNW Sent (new retailer)	56	14	0	2	4	24	1	101	2.58%
GNW Received (old retailer)	388	7	0	11	0	22	120	548	14.02%

GNW Received (new retailer)	264	42	0	6	4	54	3	373	6.49%
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### GNW files sent and received 2020

GNW Files	CR	DF	IN	MI	UA	WP	WS	Total	% of GNTs
GNW Sent (old)	501	18	0	2	117	4	124	766	13.7%
GNW Sent (new)	522	56	1	14	12	101	9	714	5.4%
GNW Received (old)	1,707	47	0	42	1	61	333	2,187	16.7%
GNW Received (new)	152	36	0	7	0	41	1	237	4.2%

I checked 24 examples including all GNW codes where Nova was the new retailer and where Nova was the old retailer. In all cases, the correct codes were used, and Nova had sufficient information to support the withdrawal.

I checked a sample of 10 ICPs where GNW files had been sent by other retailers and had been rejected by Nova. In all cases, Nova had sufficient information to support the rejection. 2.1% of GNW files received were rejected, which is less than the 2017 figure of 4.5%.

87 of 1,480 GNW files sent by Nova (5.9%) were rejected. This is up from 4.7% during the 2017 audit. I checked 10 and found that there were valid reasons at the time of sending files. The main two reasons for rejection were as follows:

- the other retailer had contact with the customer after receipt of the GNW, leading to the rejection of GNW files, and
- GNW originally rejected then accepted following communication.

Compliance is confirmed.

## 9.7 Switch Reading Negotiation (Rule 79, 81)

There were 818 instances of Nova sending a GNC. I checked a sample of 20 and all were found to be substantiated. Six files had the readings identified as actuals, but they were estimates. It is a manual process to create GNC files.

There were 260 GNCs sent by other retailers, indicating inaccurate switch reads by Nova.

There were 71 GAC files sent by Nova where they rejected the other retailer’s switch read. There were 45 ICPs where the other retailer rejected Nova’s proposed read.

20 rejected GAC files sent and 20 rejected GAC files received were examined and I found that rejections only occurred when there was disagreement with the reading provided and acceptance was then confirmed once a reading had been negotiated.

Non-Conformance	Description	Audited party comment
<p><b>Regarding:</b> Rule 79.4.6</p> <p><b>Control Rating:</b> Adequate</p>	<p>6 of 20 GNC estimates recorded as actuals.</p>	<p><b>Response:</b> Acknowledge</p> <p><b>Comments:</b></p> <ul style="list-style-type: none"> <li>• Nova confirm the process of creating the GNC files is manual               <ul style="list-style-type: none"> <li>• In all 6 instances the read type of “actual” was due to human error</li> <li>• Resource changes within the team have contributed</li> </ul> </li> <li>• Nova has implemented refresher training and updated process documentation</li> <li>• Completed August 2020</li> </ul>

## 10. Bypass of Distributor (Rule 82)

Nova has not been involved in any new bypass events during the audit period. Compliance is confirmed.

## 11. Recommendations

Two recommendations were made during this audit, as follows:

1. check 20 ICPs where network pressure is the same or lower than meter pressure, and
2. develop validation for possible network pressure discrepancies.

## 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 – Nova Energy Comments**

Nova would like to thank Veritek Ltd for conducting the 2020 audit.