



# GAS REGISTRY AND SWITCHING PERFORMANCE AUDIT SWITCH UTILITIES LTD

Date of audit: 7, 8 and 14 October 2020

Report completed: 18 January 2021

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

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 Switch control environment, for the fifteen areas evaluated, is “effective” for eleven areas, “adequate” for three areas and “not adequate” for one area, that of having current use of system agreements with distributors.

Three breach allegations are made in relation to Switch regarding the non-compliant areas and are summarised in the following table. The following observation and recommendation were also made:

**OBSERVATION** If the issue relating to Switch not having current use of system agreements with distributors is a wider industry issue there could be value in GIC involvement to help resolve this.

**RECOMMENDATION** That the systems for ensuring alignment of internal systems and the registry be reviewed to ensure alignment between Vector system data and the registry.

## Summary of breach allegations

<b>Section</b>	<b>Summary of issue</b>	<b>Rules potentially breached</b>
7	Initiating switches without a current use of system agreement with all the relevant distributors	r65.2.3
8	Status update for a new connection was not done on time for 1 new connection.	r54.1
11.1	The GNT was not initiated within 2 business days of entering into a contract for 3 out of 8 ICPs	r66.1

## Summary of report findings

Issue	Section	Control Rating (refer to appendix 1 for definitions)	Compliance Rating	Comments
Participant registration information	3	Effective	Compliant	The information was current
Obligation to act reasonably	4	Effective	Compliant	No examples of Switch acting unreasonably were found
Obligation to use registry software competently	5	Effective	Compliant	No examples of Switch using software incompetently were found
ICP identifier on invoice	6	Effective	Compliant	The ICP identifier is on Switch invoices
Use of System Agreements	7	Not Adequate	Not Compliant	Some agreements held by Vector on behalf of Switch appear to have expired
Uplift of READY ICP	8	Adequate	Not compliant	There was an issue with timely management of 1 out of 2 new ICPs
Maintenance of ICP information in registry	9	Effective	Compliant	There was minimal activity to assess
Resolving discrepancies	10	Adequate	Compliant	Processes for ensuring system information is aligned with the registry are in place but they could be tighter
Initiation of consumer switch/switching notice	11.1	Adequate	Not compliant	There were some instances of notices to transfer being initiated late
Response to a gas switching notice	11.2	Effective	Compliant	No issues found in the sample reviewed
Gas acceptance notice	11.3	Effective	Compliant	No issues were found with this process
Gas transfer notice	11.4	Effective	Compliant	No issues were found with this process
Accuracy of switch readings	11.5	Effective	Compliant	No issues were found with this process
Gas switching withdrawal	11.6	Effective	Compliant	No issues were found with this process
Switch reading negotiation	11.7	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 (Switch). The audit was commissioned under rule 88 and was conducted within terms of reference prepared by GIC.

The engagement commenced on 15 January 2020. Switch use Vector Data Services (Vector) as a service provider so the on-site part of this audit was completed at Vector's offices in New Plymouth and was done in parallel with the audits of other retailers who use Vector's services. Arrangements for site visits were made, but cancelled twice due to pandemic protocols, but were able to occur in October. Other aspects of this audit were conducted remotely.

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

Switch have been a registry participant since 1 May 2015.

Switch use Vector Data Services as their agent for dealing with switching and other registry matters. Vector use a SQL database with an Access front end, known as Artemis, to achieve this. Interactions between Vector and Switch occur mostly via email, as required.

### 2.1 Summary of Previous Audit

Switch was last audited in June 2017. A summary of the breach allegations was as follows:

- Physical address and e-mail address information on the registry were out of date r10.1.1  
This had been addressed
- Status updates for new connections were not done within the required timeframes for 3 ICPs r54.1  
There was an issue with one new ICP this audit
- There were 7 instances of status event changes exceeding 30 days r61.1

Other than the 1 new ICP there were no new alleged breaches this audit

- A GNT was not initiated within 2 business days of the date the contract was entered into for 6 ICPs r66.1

This continues to be an issue with new alleged breaches

- Errors were found in GTNs for 2 ICPs r72.1.8

There were no issues this audit

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.

There was a problem with 1 new ICP this audit

- Switch 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.

There is now evidence of monthly checks occurring, but some discrepancies remain

- 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.

This had improved but instances remain

## 2.2 Switch Breach Report

Since the last audit Switch has been the subject of three alleged breaches, all notified by Jade. Two alleged breaches related to rule 78.1 (not responding to a gas switching withdrawal notice within 5 business days) and one was under rule 69.2 (not providing a gas transfer notice within 2 business days of the switch date in the notice).

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

In conducting this audit, the auditor may request any information from Switch, the allocation agent and any allocation participant. Information was also provided by Vector as data services agent.

Information was provided by Switch and Vector in a timely manner in accordance with this rule.

It is considered that all parties have complied with the requirements of this rule.

## 3. Participant registration information (rules 7 and 10)

The participant registration information was reviewed and confirmed as current.

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

No examples of Switch acting unreasonably were found.

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

No examples of Switch using registry software incompetently were found.

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

An example of a Switch invoice was viewed and was found to show the ICP.

## 7. Use of system agreements (rule 65.2.3)

The rules require that before initiating a switch a retailer must be party to a valid subsisting agreement with the owner of the distribution system to which the consumer installation is connected. As a part of this audit, the auditor requested sight of the current use of system agreements with the gas distributors. As a part of the company's agreement with Vector, Vector Gas Ltd holds the use of system agreements with the distributors on behalf of Switch.

The auditor conducted a brief review of the use of system agreement documentation immediately available at Vector's premises. There was evidence of Vector Gas Ltd having a use of system agreement with all of the four current distributors, but this initial review suggested those with First Gas Ltd and GasNet (Wanganui) had expired. Those with Vector Ltd and Powerco looked as if they may still be current as no expiry date could be identified.

**ALLEGED BREACH** r65.2.3 Switch initiate switches without a current use of system agreement with all the relevant distributors

It is noted however that Vector believes their agreements with First Gas and GasNet were amended in 2014 to allow Vector to provide delivered gas service arrangements for third parties and in 2015 they were all assigned from Vector Limited to Vector Gas Trading Limited. Based on the above Vector believes they will be able to demonstrate they have use of systems agreements in place with all the open access networks, albeit these are all up to or more than 20 years old and are seeking confirmation from GasNet and First Gas that this is their understanding. Nonetheless Vector acknowledges this does not reduce the need for the networks to offer and retailers to negotiate new up to date agreements.

**OBSERVATION** If the issue relating to Switch not having current use of system agreements with distributors is a wider industry issue there could be value in GIC involvement to help resolve this.

## 8. 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.

Switch has no ICPs that were created in 2019 and is the retailer for only 2 ICPs created in 2018. Of the 2018 ICPs it was the first retailer for only one of these. The new connections process for this ICP was therefore reviewed for compliance with both the switching and the reconciliation rules. Compliance with the reconciliation rules is reported on in the associated audit report. Compliance with rule 54 was confirmed as information was entered within 2 business days of entering into a contract with the customer.

Vector demonstrated the process for creating new ICPs on the retailer's instructions. Switch send an e-mail requesting Vector claim the ICP on their behalf, they supply the ICP, event date, status, connection status and allocation group. Vector initiate the claim, asking for any additional information from Switch to complete all the required fields. Vector then ask the meter owner for the relevant paperwork, which provides them with an initial read. This initial read is then added to Vector's SQL database and Flow2E system, which performs the energy calculation. Vector then request their meter reading service provider to add the ICP to their meter reading schedule. When the first meter reading file comes back with a read for the new ICP, this triggers the first energy calculation and consequential inclusion in the submission files.

The analysis of status updates in section 9 below identified an additional new ICP not identified in the analysis described above because it had subsequently been switched out. This ICP was therefore also reviewed and was found to have been updated late. More detail is provided in appendix 2.

- ALLEGED BREACH r54.1 Status update for a new connection was not done on time for 1 new connection.

## 9. Maintenance of ICP information in the registry (rules 58 to 61)

Vector explained their processes.

Switch notify Vector of any status changes by e-mail and also tell them the event date. Vector then action these on receipt.

Vector also routinely pull LIS files from the registry once a month to identify any fields that have changed to update their SQL database. Vector also use month end files from the meter owners and the distributors to identify discrepancies which suggest a status change has been missed. For example, if a meter owner is no longer invoicing for a meter because it has been removed, this suggests an ICP should be updated to INACT. Another example would be if a distributor's report showed some ICPs as being active when they were still INACT in Vector's system and on the registry. Vector raise any discrepancies with the retailer who in turn advise if a status change should be made.

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. The data has been assessed against a “two-tiered” target of 90% within 5 business days and 100% within 20 business days.

An analysis of the Switch participant status events was undertaken to see how promptly the registry was being updated. The event detail report was examined for 2019 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 5 business days	Update greater than 20 business days
ACTV	1	1	1
INACP	1	0	0
TOTAL as %		50%	50%

The ACTV status update transpired to be a new ICP so this is discussed in section 8 above.

	No of status events	Paired with
ACTV	1	GAS
INACP	1	GPM

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

## 10. Resolving discrepancies (rule 62.1)

There was evidence of Vector doing routine checks between their systems and the registry to ensure alignment. They routinely pull LIS and EDA files to compare with their system and also do comparisons between different parts of their system (Flow2E, SQL database and relevant spreadsheets). However, it was noted that some discrepancies are still arising and that there was no direct validation between Flow2E and the registry – Flow2E was instead validated against Vector’s SQL database, which had in turn been checked against the registry.

The records in the Vector system were compared against the information in the registry for gas gate; meter pressure; dials; multiplier and altitude. Generally, there was good alignment, but some discrepancies were found in the gas gate, meter pressure and altitude fields. Further details can be found in the associated downstream reconciliation audit report.

As these registry fields are not the responsibility of the retailer to maintain no alleged breach has been made here under rule 62.1, however it is recommended that Switch and Vector review its processes for ensuring alignment between its systems and the registry, and for dealing with any discrepancies identified.

RECOMMENDATION That the systems for ensuring alignment of internal systems and the registry be reviewed to ensure alignment between Vector system data and the registry.

## 11. Switching

Vector checks every day to see if Switch have any items on the breach timer report. If so they send Switch details by email so they can supply the necessary response within the required timeframes.

Communication between Switch and Vector is by e-mail, but they are infrequent as their level of activity is low. Vector process instructions from their retailers every day, typically by midday.

### 11.1 Initiation of consumer switch (rules 65 to 67)

Switch initiate a switch by e-mailing Vector, giving details of the ICP and the event date. When Vector receive an instruction to initiate a switch their process is:

- Request a REQ file
- Add the ICP to their SQL database
- Create a GNT in Access
- Send the GNT to the registry and receive GNT acknowledgment
- The registry then prompts the losing retailer

Vector process any such requests daily.

All GNTs initiated by Switch in 2019 were reviewed to see if they were initiated within 2 business days of entering into a contract (unless they had been entered into more than 12 business days to the commencement of supply).

Of the eight instances reviewed, three failed to comply with rule 66.1. The detail is supplied in appendix 2.

- ALLEGED BREACH r66.1 The GNT was not initiated within 2 business days of entering into a contract for 3 out of 8 ICPs

All GNTs for switch type S and SM were reviewed for compliance with r67.3 and 67.3A to check they were not sent more than 10 business days prior to the switch date. No breaches were found.

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

Vector receives files from the registry regularly through the day via FTP. Each morning they use their Access database to import these files. Any GNTs received in the last 24 hours will appear and Vector send a GAN automatically to acknowledge this. They then e-mail Switch to ask them if they should accept the switch out. If so, they complete and send the GTN.

Since the last audit Switch has been the subject of three alleged breaches, all notified by Jade. Two alleged breaches related to rule 78.1 (not responding to a gas switching withdrawal notice within 5 business days) and one was under rule 69.2 (not providing a gas transfer notice within 10 business days of the switch notice).

The SWLEN report was reviewed for all switches in 2019 where Switch was the losing retailer. Analysis was done to identify a list of those with a switch length of more than 3 days as these may have potentially breached r69.1. 163 were found and a sample of these were further reviewed individually in the gas registry, but all were found to have been acknowledged by a GAN within two business days. The process of Vector automatically acknowledging these appears to be working well.

## 11.3 Gas acceptance notice (rule 70)

A sample of GANs (acceptance notices) initiated by Switch were reviewed for compliance with the 2-business day rule in r69.1 and the switch date rules in r70.2.

No issues were found.

## 11.4 Gas transfer notice (rule 72)

Vector's process for completing the GTN was reviewed.

A sample of GTNs (transfer notices) where Switch was the responsible retailer were reviewed for compliance with r 72 and r74. No issues were found.

## 11.5 Accuracy of switch readings (rule 74)

The accuracy of switch readings was examined as a part of the activities detailed in section 11.4 above. There are no additional issues to report in this section.

## 11.6 Gas switching withdrawal (rule 74A, 75, 76, 78)

If Vector identify a GNW for Switch when they do their daily import of registry files, they screenshot this and send it to Switch. Switch conduct any discussions with the other retailer and then instructs Vector to accept or reject the withdrawal. Vector sends the GAW file.

If the retailer wants to initiate a GNW they send Vector the details by email, Vector then convert this into the GNW format and submit it to the registry.

An analysis was undertaken of GNWs (switching withdrawal notices) entered into the registry in 2019 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 Switch was the old retailer and the new retailer. The results are shown in the tables below.

SULG as responsible retailer

Role code	Requesting reason	Number	% of GNTs
O	WS	1	0.5%
N	None		0%

## SULG not responsible retailer

Role code	Requesting reason	Number	% of GNTs
N	CR	4	1%
N	MI	1	0.5%
N	WP	1	0.5%
N	WS	1	0.5%
O	CR	2	25%
O	WP	1	12.5%
O	WS	1	12.5%

N = requesting retailer is new retailer, O = requesting retailer is old retailer.

CR is customer request; WS is wrong switch type; WP is wrong premises; MI is metering issue

There were NIL entries for other reason codes.

A review of how these GNWs had arisen did not identify any systematic errors or use of wrong reason codes.

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

There were no instances of Switch initiating a GNC in 2019.

There were 9 instances of Switch receiving a GNC in 2019. There were no issues identified.

## 12. Bypass of distributor (rule 82)

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

## 13. Breach Allegations

Section	Summary of issue	Rules potentially breached
7	Initiating switches without a current use of system agreement with all the relevant distributors	r65.2.3
8	Status update for a new connection was not done on time for 1 new connection.	r54.1
11.1	The GNT was not initiated within 2 business days of entering into a contract for 3 out of 8 ICPs	r66.1

## 14. Conclusion

The summary of report findings shows that the Switch control environment, for the fifteen areas evaluated, is “effective” for eleven areas, “adequate” for three areas and “not adequate” for one area, that of having current use of system agreements with distributors.

Three breach allegations are made in relation to Switch regarding the non-compliant areas and are summarised in the above table. The following observation and recommendation were also made:

**OBSERVATION** If the issue relating to Switch not having current use of system agreements with distributors is a wider industry issue there could be value in GIC involvement to help resolve this.

**RECOMMENDATION** That the systems for ensuring alignment of internal systems and the registry be reviewed to ensure alignment between Vector system data and the registry.

## 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 Alleged Breach Detail

### **8. Uplift of READY ICP (rule 54)**

**ALLEGED BREACH** r54.1 Status update for a new connection was not done on time for 1 new connection.

Status update to ACTV for a new ICP where the event date was 8 February 2019 and the event entry date was 18 March 2019 for ICP 1000568009PG438.

Vector provided the following further information:

- There were emails with Switch about claiming the site on 12/13 March 2019
- Vector emailed Switch again 1 May 2019 for the set-up information
- Vector set up the site in Flow2E 8 May 2019
- The ICP appeared in the 201903 allocation that was uploaded on the 03/04/2019

Switch provided the following further information:

- The site was set up late as they did not receive any completion paperwork from Powerco and they were unaware it was completed until Vector emailed in May 2019
- The site belonged to an established Switch customer with multiple sites

It appears the meter was set up and the site ready 8 February 2019, but there was no actual gas use until May 2019.

### **11.1 Initiation of consumer switch (rules 65 to 67)**

**ALLEGED BREACH** r66.1 The GNT was not initiated within 2 business days of entering into a contract for 3 out of 8 ICPs

Switch Moves		Event Date	Event entry date		Date contract entered into	Notes
0007008607NG739	GNT	21/01/2019	4/02/2019 11:09	SULG	16/01/2019	
1001157393QT7B9	GNT	2/07/2015	5/04/2019 12:05	SULG	5/05/2017	had to backdate as we had the wrong property for many years
<b>Switch</b>						
0007008607NG739	GNT	22/01/2019	22/01/2019 8:47	SULG	16/01/2019	

## Appendix 3 Responses to draft report



8 July 2021

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### Sent by email

Dear Julie

### Gas Registry and Switching Performance Audit – Switch Utilities

1. Vector Gas Trading Limited (*Vector*) appreciates the opportunity to comment on the draft Gas Registry and Switching Performance audit report for Switch Utilities (*Switch*) issued on 25 May 2021.
2. Vector would like to provide you with two comments with regards to the reported breaches within the draft report regarding compliance with regulations 65.2.3 and 54.1.
3. We are pleased to confirm that we have sought and received formal confirmation from Firstgas, GasNet and Vector that our Use of Systems Agreements with these network operators are all current and uninterrupted since they were originally signed. As you know a new Powerco Use of Systems Agreement was signed in 2015.
4. We are happy to provide you with a copy of the confirmation letters from the 3 network operators and believe that we and therefore Switch are compliant with regulation 65.2.3.
5. With regards to regulation 54.1 we have, following the audit in our New Plymouth offices implemented a new process that designed to assist Switch in complying with this regulation.
6. This new process raises an email when we have received the required information (event date, creation date connection and ICP Status) to start the ICP claim process. This email is sent to Switch advising that a new ICP is ready to be claimed in the Gas Registry.
7. If you would like to discuss any of the above matters in greater detail then please do not hesitate to call me on 06 215 4427 or email at [jim.raybould@vector.co.nz](mailto:jim.raybould@vector.co.nz)

Yours sincerely

A handwritten signature in black ink that reads 'Jim Raybould'.

**Jim Raybould**  
Date Services Manager

