



VERITEK

Gas Registry and Switching Performance Audit Draft Report

For

Greymouth Gas New Zealand Limited



Prepared by Tara Gannon – Veritek Ltd

Date of Audit: 19/06/17

Date Audit Report Complete: 14/07/17



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 Greymouth Gas New Zealand Limited (GGNZ) 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 GGNZ's control environment is "effective" for eight of the areas evaluated, "adequate" for three areas and "not adequate" for three areas.

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

- GGNZ records should be reconciled to the registry at least quarterly. All registry notification files received should be reviewed promptly, to determine whether ICP records need to be updated.
- All four GTNs issued contained some incorrect information.

As a result of this performance audit I recommend the following:

- Implementing an automated or manual check for switch files on the registry each business day, to ensure files are identified and actioned on time.
- GGNZ records should be reconciled to the registry at least quarterly to ensure that data discrepancies are identified promptly.

One breach allegation is made against VCTX for an incorrect TOU flag recorded on the registry.

Summary of Report Findings

Issue	Section	Control Rating (Refer to Appendix 1 for definitions)	Compliance Rating	Comments
Participant registration information	2	Adequate	Compliant	Participant register information is valid.
Obligation to act reasonably	3	Effective	Compliant	No examples of GGNZ acting unreasonably were found.
Obligation to use registry software competently	4	Effective	Compliant	No examples of GGNZ using registry software incompetently were found.
ICP identifier on invoice	5	Effective	Compliant	The ICP identifier is shown on GGNZ's invoices.
Uplift of READY ICP	6	Adequate	Compliant	One new connection is in progress, and will be uplifted within the required timeframes.
Maintenance of ICP information in registry	7	Not adequate	Not compliant	GGNZ matches its ICP information to the registry on an ad hoc basis, approximately twice per annum. Registry notifications are not checked.
Resolving discrepancies	8	Adequate	Compliant	GGNZ used best endeavours to resolve discrepancies identified.
Initiation of consumer switch/switching notice	9.1	Effective	Not compliant	A GNT was requested with a switch date before the delivery date. The GNT was later withdrawn and re-requested.
Response to a gas switching notice	9.2	Not adequate	Not compliant	A GAN was issued late for one ICP. Processes do not ensure that switch files are identified and responded to on time.
Gas acceptance notice	9.3	Effective	Compliant	No issues were found with this process.
Gas transfer notice	9.4	Not adequate	Not compliant	Some incorrect GTN file content was provided.

Issue	Section	Control Rating (Refer to Appendix 1 for definitions)	Compliance Rating	Comments
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	Effective	Compliant	No issues were found with this process.

Persons Involved in This Audit

Auditor:

Tara Gannon

Veritek Limited

GGNZ personnel assisting in this audit were:

Name	Title
Chris Boxall	Commercial Manager
Rafy Shasha	Marketing & Commercial Executive

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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 (Switching Arrangements Rules) 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 on 19 June 2017 at GGNZ's office in Auckland.

The scope of the audit includes compliance with the Switching Arrangements Rules only. There is a separate report for the Gas (Downstream Reconciliation) Rules 2008.

1.2 Audit Approach

As mentioned in Section 1.1 the purpose of this audit is to assess the performance of GGNZ 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 GGNZ 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.¹

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 conformance has been evaluated.

¹ 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

This is the first audit for GGNZ under the Gas (Switching Arrangements) Rules 2008.

1.3.2 Breach Allegations

GGNZ has 16 alleged breaches recorded by the Market Administrator between August 2014 and May 2015. These are summarised as follows:

Nature of Breach	Rule	Quantity	Section in this Report
Requested date for standard switch	67.3	2	9.1
Response to withdrawal switch notice	69.1	2	9.2
Compliance with requested switch date	72.2	1	9.4
Gas (Downstream Reconciliation) Rules 2008 breaches	30.3, 32.4, 33.4 and 37.2	11	Not within audit scope

As noted in the Summary of Report Findings, non conformance was found in relation to four sections of this audit. Two breach allegations are made in relation to these matters, as follows:

Breach Allegation	Rule	Section in this report
All registry notification files received should be reviewed promptly, to determine whether ICP records need to be updated.	58.1	7
All four GTNs issued contained some incorrect information. All three GTNs for TOU ICPs contained incorrect register content codes (rule 72.1.8(e)), and one had the corrected reading recorded against the uncorrected register (rule 72.1.8(c)). One non TOU GTN contained the reading for the day after the GTN date (rule 72.1.8(c)).	72	9.4

I have also made a breach allegation against one meter owner in relation to an incorrect TOU flag recorded on the registry. This is shown in the table below.

Breach Allegation	Participant Identifier	Rule(s)	Section in this report
Incorrect TOU flag recorded on the registry for ICP 0008000072NG8DB.	VCTX	62.1	8

1.4 Provision of Information to the Auditor (Rule 91)

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

Information was provided by GGNZ 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 allocation agent, and allocation participants that I considered had an interest in the report. In accordance with rule 92.2 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 response was received.

Party	Response	Comments provided	Attached as appendix
GGNZ	Yes	Yes	Included in the audited party comments box for each non conformance and recommendation.

The comments received were considered in accordance with rule 71.1, prior to preparing the final audit report. No changes were made to the report after considering comments.

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; and
- 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.

GGNZ's participant registration information was valid. Compliance is confirmed.

3. Obligation to Act Reasonably (Rule 34)

No examples of GGNZ acting unreasonably were found.

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

No examples of GGNZ using registry software incompetently were found.

5. ICP Identifier on Invoice (Rule 36)

The ICP identifier is shown on GGNZ's invoices.

6. Uplift of Ready ICP (Rule 54)

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

Rule 54 requires the retailer to change the status of a READY ICP to the appropriate status under rule 59 within two business days of entering into a contract to supply gas to a consumer at that address.

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.

Review of the registry list report confirmed that one new connection is underway. ICP 1001294166NGCC4 has been at READY status since 01/03/17, and it is expected that the network and metering work will be complete by 01/10/17. The site is still to be built. GGNZ has an existing contract with the customer for other sites. ICP 1001294166NGCC4 will be added to the contract once work is completed, and the ICP will be claimed and have its status updated. The customer's project management team has liaised with Vector and GGNZ, and GGNZ is aware of the progress and timeframes.

There are two other ICPs with ready status

- 0000007602VT2EB (updated to ready on 22/05/2017, effective 01/11/12). This ICP was claimed and made active by GGNZ on 07/07/17 effective 01/11/12 following review of First Gas' back dated creation of the gas gate ICP.
- 0000015303VT00A (updated to ready on 19/05/17, effective 22/01/10). This ICP was claimed and made active by GGNZ on 06/07/17 effective 22/01/10 following review of First Gas' back dated creation of the gas gate ICP.

The “Maintenance Breach History Report (RET breaches)” report was examined for the period 1 January 2016 to 31 March 2017, and did not contain any late registry updates.

Compliance is confirmed.

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 therefore define a specific time period but for the purpose of this audit, updates that occurred more than 30 business days after the event have been considered an alleged breach.

An event detail report was provided for the period from 1 April 2016 to 31 March 2017. No status changes were processed during the period. Two missed status updates are recorded as non conformance in section 8.

GGNZ matches its ICP information to the registry on an ad hoc basis, approximately twice per annum. This includes checks of data used in the conversion process, such as meter pressures and altitudes. GGNZ do not monitor registry notification files to identify changes to their ICP information. This is recorded as non conformance below.

To ensure their ICP information is up to date, GGNZ monitors ICPs they know are due for meter maintenance, to ensure that paperwork is received.

Given that 34 ICPs are supplied, it is reasonable to reconcile records to the registry less frequently than retailers supplying large numbers of ICPs. However, without prompt identification of changes to registry information for GGNZ ICPs through reviewing notification files, discrepancies could exist for up to six months before being identified through a registry match.

Non Conformance	Description	Audited party comment
<p>Regarding: 58.1</p> <p>Control Rating: Not adequate</p>	<p>All registry notification files received should be reviewed promptly, to determine whether ICP records need to be updated.</p>	<p>Response: We have found the audit process valuable to provide base-line insights such as this.</p>

Recommendation	Audited party comment
<p>GGNZ records should be reconciled to the registry at least quarterly to ensure that data discrepancies are identified promptly.</p>	<p>Response: We will look into automating the receipt of registry notifications and reports to check / monitor this at least quarterly.</p>

8. Resolving Discrepancies (Rule 62.1)

Under rule 62.1 retailers must use their best endeavours to resolve any discrepancies between the information on the registry and the information held elsewhere by them.

As mentioned in Section 7, GGNZ reviews its data for discrepancies against the registry on an ad hoc basis, approximately twice per annum.

I checked the ICP data provided by GGNZ against the registry list, and also reviewed the registry list data for consistency. I found:

- ICPs 0000377831QT7CE and 1001160787QT553 are active-contracted, but did not have their status updated from active-vacant when they switched in. 0000377831QT7CE switched in and became active on 24/03/2016, and ICP 1001160787QT553 switched in and became active on 01/11/2011. Both ICPs have now been updated to active-contracted on the registry.
- The TOU flag was set to no for ICP 0008000072NG8DB on 27/07/2015 effective from 01/07/2008, but the ICP is in allocation group 1 and TOU data is being received. GGNZ intends to follow this up with the meter owner, as the TOU flag is a meter owner field. I have alleged a breach of rules 62.1 by VCTX, the meter owner for this ICP.

Once discrepancies were identified, GGNZ used best endeavours to resolve these discrepancies between information held in the registry, and information held elsewhere by them.

9. Switching

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

An event detail report was reviewed to identify all GNT files that were sent between 1 April 2016 to 31 March 2017. I checked all five GNT files issued to determine compliance with rules 65-67.

All GNT files were issued within 2 business days of entering into an arrangement with the customer, or as soon as practicable to comply with rule 67.3 or 67.3A.

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

The switch breach history report showed one GNT had a requested switch date before the delivery date to the registry. A breach has been alleged by the market administrator as recorded in section 1.3.2. The switch was later withdrawn and re-requested with the correct date as a move in switch. All other GNT's were issued with a requested switch date after the delivery date.

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 history report confirmed that a file was provided late for ICP 0000093971QTB26. GGNZ relies primarily on the gaining retailer to inform them when they issue a GNT, rather than checking for switching files on the registry. This is recorded as non-conformance below.

Non Conformance	Description	Audited party comment
<p>Regarding: Rule 69.1</p> <p>Control Rating: Not adequate</p>	<p>A GAN, GTN or GNW was not provided within two business days of receiving a GNT for ICP 0000093971QTB26.</p>	<p>Response: We will review our processes in this area.</p>

Recommendation	Audited party comment
<p>I recommend implementing an automated or manual check for switch files on the registry each business day, to ensure files are identified and actioned on time.</p>	<p>Response: We will look to implement this process.</p>

9.3 Gas Acceptance Notice (Rule 70)

An event detail report was reviewed to identify all GAN files that were sent between 1 April 2016 to 31 March 2017. I checked all five GAN files to confirm their accuracy and compliance with rule 70.

All five GAN files on the report were accurate, and that the expected switch date was not later than 10 business days as stipulated in Rule 70.2.2. Compliance is confirmed.

The switch breach detail report confirmed that one GAN file was sent late. This is recorded as non conformance in section 9.2

9.4 Gas Transfer Notice (Rule 72)

An event detail report was reviewed to identify all GTN files that were sent between 1 April 2016 to 31 March 2017. I checked all four GTN files to confirm their accuracy and compliance with rule 70.

- ICP 0000016459GN5D4 was sent with the corrected reading recorded against the uncorrected register, and no corrected register information was sent. I confirmed that the meter register content for the corrected register should be TA (temperature and absolute pressure corrected) with the meter owner.

- ICP 0001415583QT25B was sent with the reading recorded on effective switch date, rather than the last day GGNZ supplied the ICP.
- ICPs 0008000038NG8EF and 0008000150NGC0F were sent with register content TGS (temperature, gauge pressure and supercompressibility corrected). I confirmed that the meter register content for the corrected register should be TG (temperature and gauge pressure corrected) for both ICPs with the meter owner. These GTNs were sent without reads, because no readings were available in the downloads GGNZ received. This was agreed with the GIC prior to the GTNs being issued.

None of the GTN files contained annual consumption of zero.

The GTN file accuracy errors are recorded as non-conformance below, and a breach has been alleged by the market administrator.

Non Conformance	Description	Audited party comment
<p>Regarding: Rule 72</p> <p>Control Rating: Not adequate</p>	<p>All four GTNs issued contained some incorrect information.</p> <p>All three GTNs for TOU ICPs contained incorrect register content codes, and one had the corrected reading recorded against the uncorrected register.</p> <p>One non TOU GTN contained the reading for the day after the GTN date.</p>	<p>Response: We liaised with the other affected retailers at the time to mitigate the impact of these errors.</p>

The switch breach detail report confirmed that one GTN file was sent late. This is recorded as non conformance in section 9.2.

9.5 Accuracy of Switch Readings (Rule 74)

The checks discussed in section 9.4 included switch readings. All readings provided in switch files were actual meter readings. Compliance is confirmed.

One GTN recorded a switch read against the wrong register, and another recorded a read for the wrong date. This is recorded as non conformance in section 9.4.

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

An event detail report was reviewed to identify all GNW files that were sent between 1 April 2016 to 31 March 2017.

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:

GNW files sent and received

NW Files	CR	DF	IN	MI	UA	WP	WS	Total	% of GNTs
NW Sent (old retailer)	-	1	-	-	-	-	-	1	50.0%
NW Sent (new retailer)	-	2	-	-	-	-	-	2	60.0%
NW Received (old retailer)	-	-	-	-	-	-	-	-	0.0%
NW Received (new retailer)	-	-	-	-	-	-	-	-	0.0%

It is not clear whether the numbers above are typical or not, because this is the first switching audit for GGNZ.

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

No GNWs were sent by other retailers during the period.

Compliance is confirmed.

9.7 Switch Reading Negotiation (Rule 79, 81)

An event detail report was reviewed to identify all GNC files that were sent between 1 April 2016 to 31 March 2017. No GNC or GAC files were sent or received during the period.

GGNZ understand the requirements of read renegotiation process, but have not needed to complete a read renegotiation to date.

10. Bypass of Distributor (Rule 82)

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

11. Recommendations

As a result of this audit I recommend the following:

- Implementing an automated or manual check for switch files on the registry each business day, to ensure files are identified and actioned on time
- GGNZ records should be reconciled to the registry at least quarterly to ensure that data discrepancies are identified promptly.

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 – GGNZ Comments

GGNZ has reviewed this report, their comments are contained in the audited party comment box for each non conformance and recommendation.