

Information Paper: Applying to become an approved auditor for the purposes of Parts 10, 11 and 15 of the Electricity Industry Participation Code 2010

Version 1.2

Version control

Version	Date amended	Comments
1.0	10 January 2008	
1.1	1 November 2010	Updated for transition to Electricity Authority and amendments to parts E and J of the rules.
1.2	2 April 2013	Review and update of information paper, including upcoming changes to Part 10 of the Code.

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Introduction

1. The Authority is a Crown entity that is responsible for promoting competition in, reliable supply by, and the efficient operation of, the New Zealand electricity industry for the long-term benefit of consumers in accordance with the Electricity Industry Act 2010, and the Electricity Industry Participation Code 2010 (Code).
2. Under the Code:
 - (a) an auditor, for the purposes of Parts 10, 11, and 15 is “a person approved by the Authority to carry out an audit”; and
 - (b) an audit is “a process of inspection of the facilities, processes, procedures, and other relevant items, to confirm compliance with the Code” (and “audited” has a corresponding meaning).
3. The application process outlined in this paper provides a formal path for auditors to gain approval to provide audit services under the Code.

Background

4. In accordance with the relevant provisions of Parts 10, 11, and 15 of the Code, some participants are required to undergo an audit to ensure compliance with the relevant requirements of the metering, switching and reconciliation processes set out in the Code. In most cases, the audits must be performed by Authority approved auditors.
5. The purpose of the audits is to check that participants are complying with the Code and to ensure the integrity of participant processes. This is done in order to have confidence that traders are correctly invoiced for purchases and that generators are correctly paid during the reconciliation process.
6. The reconciliation obligations that came into force on 1 May 2008 changed participants’ audit and certification requirements, including by increasing the number and frequency of audits required. To meet this increased demand a greater number of approved auditors to conduct the audits were required.
7. The metering equipment provider (MEP) obligations come into force with the new Part 10 of the Code. This information paper has been written to reflect the new audit requirements that will be in force as a result of the upcoming amendments to Parts 10, 11 and 15 of the Code.

Timetable

8. Applications to become an approved auditor will be considered by the relevant body under the Code (the Approving Body). In most cases this will be the Authority (either in its own role or in its role as the market administrator). The Approving Body will notify applicants within 10 working days of receiving the relevant completed documentation that it has been received. After that, applicants will need to proceed through the selection process set out in the Authority's policy for the approval of auditors for the purposes of Parts 10, 11 and 15 of the Code (Policy)¹ and be approved by the Authority, before carrying out any audits under the Code.
9. In most cases, approval will be for a period of two years, after which time auditors will need to reapply for approval to remain on the list of approved auditors.

Requirements for audits

10. For the purposes of Parts 10, 11 and 15 of the Code, the following participants require an Authority approved auditor to perform audits:
 - (a) class A test houses and class B test houses;
 - (b) certified reconciliation participants;
 - (c) distributors; and
 - (d) metering equipment providers.
11. The main Code requirements relating to audits are as follows:
 - (a) An applicant for approval as a test house is required to undergo an audit as part of the application process.²
 - (b) Class A test houses and class B test houses must undergo an audit within a period specified by the Authority, which must be at least 3 months and no more than 36 months from the date of approval.³
 - (c) In addition to the regular audits for approved test houses, a participant may request an audit of a test house if the participant reasonably considers that the test house in question no longer meets the criteria for approval.⁴

¹ A copy of the Policy can be found <http://www.ea.govt.nz/industry/market/retail-audits/approved-auditors/>.

² In accordance with clause 2 of Schedule 10.3 of the Code.

³ In accordance with clause 1(4)(c) of Schedule 10.3 of the Code

- (d) Each reconciliation participant is required to undergo an audit on an annual basis as part of the Authority's process to renew the participant's certification. A new reconciliation participant must obtain certification (and therefore undergo an audit) no later than 3 calendar months after the person becomes a reconciliation participant in accordance with the Code.⁵
- (e) A participant may request an audit of another participant if the participant reasonably considers that the other participant may not have complied with a clause in Part 15 or Part 11.⁶
- (f) Each distributor is required to undergo an initial audit within 3 calendar months after the date on which the distributor has the first NSP identifier or ICP identifier recorded on the registry as being part of the distributor's network, and one further audit within twelve months of the date of the initial audit.⁷ Thereafter, each distributor must undergo at least one audit in each subsequent twelve month period, with each audit completed no later than twelve months after the preceding audit.⁸
- (g) A participant who becomes an MEP on or after the time the new Part 10 of the Code comes into effect must undergo an initial audit within 3 calendar months after the date the MEP first becomes an MEP.⁹
- (h) A participant who becomes an MEP under clause 10.19(1) must undergo an initial audit no later than 6 months after the new Part 10 of the Code comes into effect.¹⁰
- (i) Each MEP is required to undergo an audit within a period specified by the Authority, which must be at least 3 months and no more than 36 months from the date of the previous audit¹¹.

⁴ Clause 3(2) of of Schedule 10.2 of the Code.

⁵ Clause 2 of Schedule 15.1 of the Code.

⁶ Clause 12(2) of Schedule 15.1 of the Code.

⁷ Clause 11.10(1)(a) and (b) of the Code.

⁸ Clause 11.10(1)(c) of the Code.

⁹ Clause 1(1)(a)(i) of Schedule 10.5 of the Code

¹⁰ Clause 1(1)(a)(ii) of Schedule 10.5 of the Code

¹¹ Clause 1(1)(b) of Schedule 10.5 of the Code

Requirements for auditors

12. The Authority is seeking reliable, proven, and service-oriented auditors who can exceed the stringent requirements of quality and performance, and who have knowledge of the Code and the electricity industry. Auditors must also possess appropriate audit capabilities.

Auditor requirements

13. To be considered as an approved auditor, the applicant must be able to demonstrate and provide evidence of the following:
- (a) the applicant is a fit and proper person (or company) to provide services as an approved auditor;
 - (b) the applicant has relevant experience within the New Zealand electricity industry;
 - (c) the applicant has relevant report writing and communication skills;
 - (d) the applicant has relevant investigative skills;
 - (e) the applicant has a good understanding of the systems and processes of participants; and
 - (f) the applicant has a proven understanding of the Code, and has relevant interpretation skills.

Organisation requirements

14. In addition to the above, the following areas will be considered by the Authority when considering an application by an organisation or an individual to be an approved auditor:
- (a) *financial stability* – the applicant must be able to demonstrate financial stability, including indemnity insurance;
 - (b) *availability* – the applicant must be sufficiently available to complete the audits;
 - (c) *specialist expertise* – the applicant must be able to demonstrate its ability to access a broad range of skills in different operational areas; and
 - (d) *cost* – the applicant must be able to provide competitive rates for the costs of the audits.

Selection process

15. The following general principles apply to the approval, management and removal of auditors by the Approving Body:
- (a) *Honesty and fairness* - The Approving Body will act honestly and fairly in all approval processes and business relationships.
 - (b) *Accountability and transparency* - The process of appointment, management, and removal of auditors by the Approving Body will be open, clear, and defensible.
 - (c) *Legality* - The Approving Body will comply with all legal obligations in making its decisions.
 - (d) *No conflict of interest* - Any person involved in the approval process with a conflict of interest, or a potential conflict of interest, will declare and address that interest as soon as the conflict or potential conflict is known.
 - (e) *No anti-competitive practices* - The Approving Body will not engage in practices that aim to give an improper advantage to any party or that are otherwise anti-competitive.
 - (f) *Co-operation* - The Approving Body will maintain business relationships based on open and effective communication, respect and trust, and adopt a non-adversarial approach to dispute resolution.

Approval process

16. The approval process is outlined in the Policy.¹² Applicants should familiarise themselves with this process before submitting their applications. Some key steps involved in process are:
- (a) *Submitting the application form* – the relevant form is attached as Appendix A;
 - (b) *Sitting the examinations* – this involves sitting open book examinations relating to the category(s) in which the applicant wishes to be approved; and
 - (c) *Attending an interview* – this will be with the selection panel at the Authority's offices.

¹² A copy of the Policy can be found at <http://www.ea.govt.nz/industry/market/retail-audits/approved-auditors/>.

Application content and format

17. Applications should include the following:
 - (a) a cover letter;
 - (b) an application to be an approved auditor (in the form attached as Appendix A);
 - (c) a copy of the applicant's curriculum vitae;
 - (d) 2 written references; and
 - (e) a signed application statement (in the form attached as Appendix B).
18. The approval of an auditor will be conditional on the applicant complying with any conditions specified by the Authority. Any such conditions will reflect the expectations that the Authority has of auditors that are on the list of approved auditors.

Appendix A Application to be an approved auditor

Name of organisation:	
Applicant name:	
Address:	
Phone number:	
Email:	

Please address your application and any communication related to it to:

Electricity Authority
PO Box 10041
Wellington
NEW ZEALAND
Attention: Market Administrator

Phone: + 64 4 460 8860
Facsimile: + 64 4 460 8879
Email: marketoperations@ea.govt.nz

CHECKLIST

Before sending your application, please ensure that you have completed and/or attached the following:

- Cover Letter;
- Curriculum Vitae;
- 2 written references;
- Appendix One: Application for Accreditation as an Approved Auditor; and
- Appendix Two: Certification Statement.

Activities for which approval is sought: (please tick appropriate box)

Test House Audits	
	Class A & B test houses.
Distributor	
	Registry obligations.
	Creation and maintenance of loss factors.
Reconciliation participants	
	Maintaining registry information and performing customer and embedded generator switching.
	Gathering and storing raw meter data.
	Creation and management (including validating, estimating, storing, correcting and archiving) of volume information.
	Calculation of ICP days.
	Provision of submission information for reconciliation.
	Provision of metering information to the pricing manager in accordance with subpart 4 of Part 13 of the Code.
Metering equipment providers	
	ICP & NSP Metering equipment providers

Reconciliation participant audits - Maintaining registry information and performing customer switching and embedded generator switching.

Describe in your own words the requirements of this function.	
Provide details of the roles you have held that involve this function.	
Provide details of the databases and systems you have been involved in with regard to this function.	
Provide other information to support your application.	

Reconciliation participant audits - Gathering and storing raw meter data.

Describe in your own words the requirements of this function.	
Provide details of the roles you have held that involve this function.	
Provide details of the databases and systems you have been involved in with regard to this function.	
Provide other information to support your application.	

Reconciliation participant audits - Creation and management (including validating, estimating, storing, correcting and archiving) of volume information.

Describe in your own words the requirements of this function.	
Provide details of the roles you have held that involve this function.	
Provide details of the databases and systems you have been involved in with regard to this function.	
Provide other information to support your application.	

Reconciliation participant audits - Calculation of ICP days.

Describe in your own words the requirements of this function.	
Provide details of the roles you have held that involve this function.	
Provide details of the databases and systems you have been involved in with regard to this function.	
Provide other information to support your application.	

Reconciliation participant audits - Provision of submission information for reconciliation.

Describe in your own words the requirements of this function.	
Provide details of the roles you have held that involve this function.	
Provide details of the databases and systems you have been involved in with regard to this function.	
Provide other information to support your application.	

Reconciliation participant audits - Provision of submission information to the pricing manager in accordance with subpart 4 of Part 13 of the Code.

Describe in your own words the requirements of this function.	
Provide details of the roles you have held that involve this function.	
Provide details of the databases and systems you have been involved in with regard to this function.	
Provide other information to support your application.	

Distributor audits - Registry obligations

Describe in your own words the requirements of this function.	
Provide details of the roles you have held that involve this function.	
Provide details of the databases and systems you have been involved in with regard to this function.	
Provide other information to support your application.	

Distributor audits - Calculation of loss factors and use of loss factors for reconciliation purposes.

Describe in your own words the requirements of this function.	
Provide details of the roles you have held that involve this function.	
Provide details of the databases and systems you have been involved in with regard to this function.	
Provide other information to support your application.	

ICP & NSP Metering equipment provider audits

<p>Describe in your own words the requirements of this function.</p>	
<p>Provide details of the roles you have held that involve this function.</p>	
<p>Provide details of the databases and systems you have been involved in with regard to this function.</p>	
<p>Provide other information to support your application.</p>	

Class A test house and class B test house audits

Describe in your own words the requirements of this function.	
Provide details of the roles you have held that involve this function.	
Provide details of the technical training you have received with regard to this function.	
Provide other information to support your application.	

Appendix B Application statement

Information and confidentiality

- B.1 In the course of the application and approval process and subsequent auditor management process, the Approving Body will necessarily gather and store personal information regarding applicants. Applicants understand that the Approving Body will need to use the personal information it collects for a range of purposes connected with auditor approval, management, and removal process. By submitting an application to the Approving Body, applicants authorise the use of their personal information for these purposes and the disclosure of that information to the Authority and others involved in the approval process including the Selection Panel. If applicants do not provide this information it will be likely to negatively affect their application. Under the Privacy Act 1993, applicants have a right of access to any personal information held by the Approving Body or any others involved in the selection process. Applicants also have a right to request that any such information be corrected.
- B.2 Applicants should note that once an application is made to the Authority, its content will be subject to the Official Information Act 1982 (OIA). If the Authority receives a request under the OIA for the release of information contained in an application, it will be required to consider the request in terms of the criteria set out in the OIA. This would be done in consultation with the applicant concerned.
- B.3 Subject to the Authority's obligations under the OIA or any other law, all information the Authority receives or holds relating to an auditor's application, performance, management, and removal will be treated as confidential. Such information will not be disclosed to a third party unless:
- (a) the disclosure of the information is required by law;
 - (b) the information is or becomes publicly available; or
 - (c) the auditor first consents to its disclosure.
- B.4 Please sign and complete the following statement and submit with your application.

I, _____, [an authorised
representative of (organisation name) _____,]
agree to the terms and statements outlined in this application, and the Authority's Retail
workstream auditor approval policy. I acknowledge that:

- (a) submission of this application does not guarantee further consideration in the
selection process;
- (b) appointment by the relevant Approving Body to the Authority's list of approved
auditors does not guarantee the purchase of any of our services;
- (c) in most cases, a contract for the provision of audit services will be negotiated with the
participant(s) requiring an audit under the Code, and not the Authority;
- (d) if successful in my application, I will be required to agree to the Authority's terms and
conditions for the appointment of approved auditors;
- (e) all materials and information submitted by us and any secondary contractor to our
application becomes the property of the Authority on submission.

Name (print): _____

Signature: _____

Title: _____

Date: _____