

ELECTRICITY INDUSTRY PARTICIPATION CODE
RECONCILIATION PARTICIPANT AUDIT REPORT



For

NEXTGEN ENERGY LIMITED

Prepared by: Steve Woods

Date audit commenced: 10 December 2018

Date audit report completed: 21 December 2018

Audit report due date: 30 December 2018

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EXECUTIVE SUMMARY

This Electricity Industry Participation Code Reconciliation Participant audit was performed at the request of **NextGen Limited (NextGen)**, to support their application for renewal of certification in accordance with clauses 5 and 7 of schedule 15.1.

The audit was conducted in accordance with the Guideline for Reconciliation Participant Audits V7.2.

The level of non-compliance has increased since the last audit, largely due to inadequate controls and the lack of a revision process for submission information. Under submission of 112,000 kWh occurred for October 2018 because the AMS AMI files were not located in NextGen's raw meter data directory for 15 of 31 days. The lack of a revision process means this matter has not been resolved and the lack of complete audit trails means the reason for the missing files is unknown.

Other issues leading to incorrect consumption information are as follows:

1. Submission has not occurred for a switched in ICP with unmetered load. The unmetered load details have been incorrectly removed from the registry.
2. Submission of generation volumes has not occurred where the generation details have been added for backdated time periods.
3. Submission has not occurred for backdated switches in.
4. HHR correction process does not make use of total consumption derived from register readings.
5. NHH historic estimate revisions are not conducted using the relevant shape files.

Most of the registry and switching related issues were caused because of manual processes.

The date of the next audit is determined by the Electricity Authority and is dependent on the level of compliance during this audit. The table below provides some guidance on this matter and recommends an audit frequency of three months due to a score of 97. NextGen is in the process of implementing a new system, which is expected resolve many of the non-compliances. The next audit date needs to provide sufficient time to implement the new system but also needs to reflect the urgency around revisions to minimize the number of months outside the 14-month window. I recommend the Authority considers a next audit date towards the end of April 2019.

The matters identified are shown in the tables below:

AUDIT SUMMARY

NON-COMPLIANCES

| Subject | Section | Clause | Non-Compliance | Controls | Audit Risk Rating | Breach Risk Rating | Remedial Action |
|-----------------------------------|---------|--------------------------|---|----------|-------------------|--------------------|-----------------|
| Relevant information | 2.1 | 10.6, 11.2, 15.2 | Some information not complete and accurate. | Weak | High | 9 | Identified |
| Audit trails | 2.4 | 21 Schedule 15.2 | Audit trails incomplete in relation to estimates and AMI file locations. | Weak | High | 9 | Identified |
| MEP arrangements | 2.13 | 10.36 | Arrangement not in place with IHUB. | Moderate | Low | 2 | Identified |
| Registry updates | 3.3 | 10 of schedule 11.1 | Registry information not updated within 5 business days of the event. | Weak | Low | 3 | Identified |
| Provision of registry information | 3.5 | 9 of Schedule 11.1 | Registry information not updated within 5 business days of the event for one status change and one MEP nomination. | Weak | Low | 3 | Identified |
| ANZSIC codes | 3.6 | 9 (1(k) of Schedule 11.1 | Two incorrect ANZSIC codes. | Strong | Low | 1 | Disputed |
| Changes to unmetered load | 3.7 | 9(1)(f) of Schedule 11.1 | Unmetered load details removed from the registry for ICP 0000043474NT14D. | None | Low | 5 | Identified |
| Switching | 4.2 | 3 and 4 of Schedule 11.3 | Incorrect AN response codes of AA instead of AD. | Moderate | Low | 2 | Disputed |
| | 4.3 | 5 of Schedule 11.3 | Switch event meter readings for the incorrect date for one ICP. Incorrect daily consumption for two ICPs. | Moderate | Low | 2 | Identified |
| | 4.8 | 10(1) of Schedule 11.3 | Incorrect AN response codes of AA instead of AD. | Moderate | Low | 2 | Investigating |
| | 4.10 | 11 of Schedule 11.3 | Switch event meter readings for the incorrect date for one ICP. Estimates labelled as Actuals for one ICP. 5 late CS files. | Moderate | Low | 2 | Identified |

| Subject | Section | Clause | Non-Compliance | Controls | Audit Risk Rating | Breach Risk Rating | Remedial Action |
|------------------------------------|---------|---------------------------------------|--|----------|-------------------|--------------------|-----------------|
| Shared unmetered load | 5.1 | 11.14 | Unmetered load details removed from the registry for ICP 0000043474NT14D. | None | Low | 5 | Identified |
| Derivation of readings | 6.6 | Clause 3(1), 3(2) and 5 Schedule 15.2 | One consumer reading recorded as an actual. | Strong | Low | 1 | Identified |
| NHH reading application | 6.7 | 6 of Schedule 15.2 | Readings for 24:00 on the switch date provided as switch event meter readings for 00:00 on the switch date for two ICPs. | Moderate | Low | 2 | Identified |
| HHR correction | 8.2 | Clause 19(2) Schedule 15.2 | Correction not applied for October 2018 where data was missing. Estimation was conducted instead of correction. No journal is available for corrections. Correction process for HHR data includes substitution of "actual" data with estimated data. Outage periods populated with consumption data. | Weak | High | 9 | Investigating |
| Identification of readings | 9.1 | 3(3) Schedule 15.2 | HHR estimates identified at a daily level rather than an interval level. | Weak | Low | 3 | Investigating |
| HHR validation | 9.6 | 17 Schedule 15.2 | Power down and power up events not being considered during data substitution processes. | Moderate | Low | 2 | Investigating |
| Electricity supplied | 11.3 | 15.7 | Electricity supplied files inaccurate for October 2018. Electricity supplied files not sourced from financial records. | Weak | Low | 3 | Investigating |
| HHR aggregates | 11.4 | 15.8 | Aggregates file inaccurate for October 2018. | Weak | Low | 3 | Disputed |
| Creation of submission information | 12.2 | 15.4 | Revision process does not exist. | Weak | High | 9 | Disputed |

| Subject | Section | Clause | Non-Compliance | Controls | Audit Risk Rating | Breach Risk Rating | Remedial Action |
|--|---------|-----------------------|--|----------|-------------------|--------------------|-----------------|
| Accuracy of submission information | 12.7 | 15.12 | No revision processes leading to inaccurate submission. | None | High | 12 | Investigating |
| Preparation of submission information | 12.9 | 2 of Schedule 15.3 | Submission did not occur for one unmetered load ICP. | Moderate | Low | 2 | Identified |
| HE calculations | 12.11 | 4 and 5 Schedule 15.3 | HE calculations and revisions not conducted after Day 4. | Weak | Low | 3 | Identified |
| Meter reading reports | 13.1 | 8 Schedule 15.3 | Incorrect and late meter reading reports. | Weak | Low | 3 | Identified |
| Future Risk Rating | | | | | | 97 | |
| Next indicative audit frequency | | | | | | 3 months | |

| | | | | | | |
|----------------------------|-----------|-----------|-----------|-----------|----------|----------|
| Future risk rating | 0 | 1-3 | 4-15 | 16-40 | 41-55 | 55+ |
| Indicative audit frequency | 36 months | 24 months | 18 months | 12 months | 6 months | 3 months |

RECOMMENDATIONS

| Subject | Section | Recommendation | Description |
|-------------------------|---------|-----------------------------------|--|
| Interrogate meters once | 6.8 | Clause 7(1) and (2) Schedule 15.2 | Develop reporting for ICPs not read during the period of supply. |
| Electricity supplied | 11.3 | Clause 15.7 | Include electricity supplied information from invoice month and not consumption month. |
| Compensation factors | 12.9 | Clause 2(3) of Schedule 15.3 | Automate the application of compensation factors. |

ISSUES

| Subject | Section | Clause | Description |
|---------|---------|--------|-------------|
| | | | Nil |

1. ADMINISTRATIVE

1.1. Exemptions from Obligations to Comply with Code (Section 11)

Code reference

Section 11 of Electricity Industry Act 2010.

Code related audit information

Section 11 of the Electricity Industry Act provides for the Electricity Authority to exempt any participant from compliance with all or any of the clauses.

Audit observation

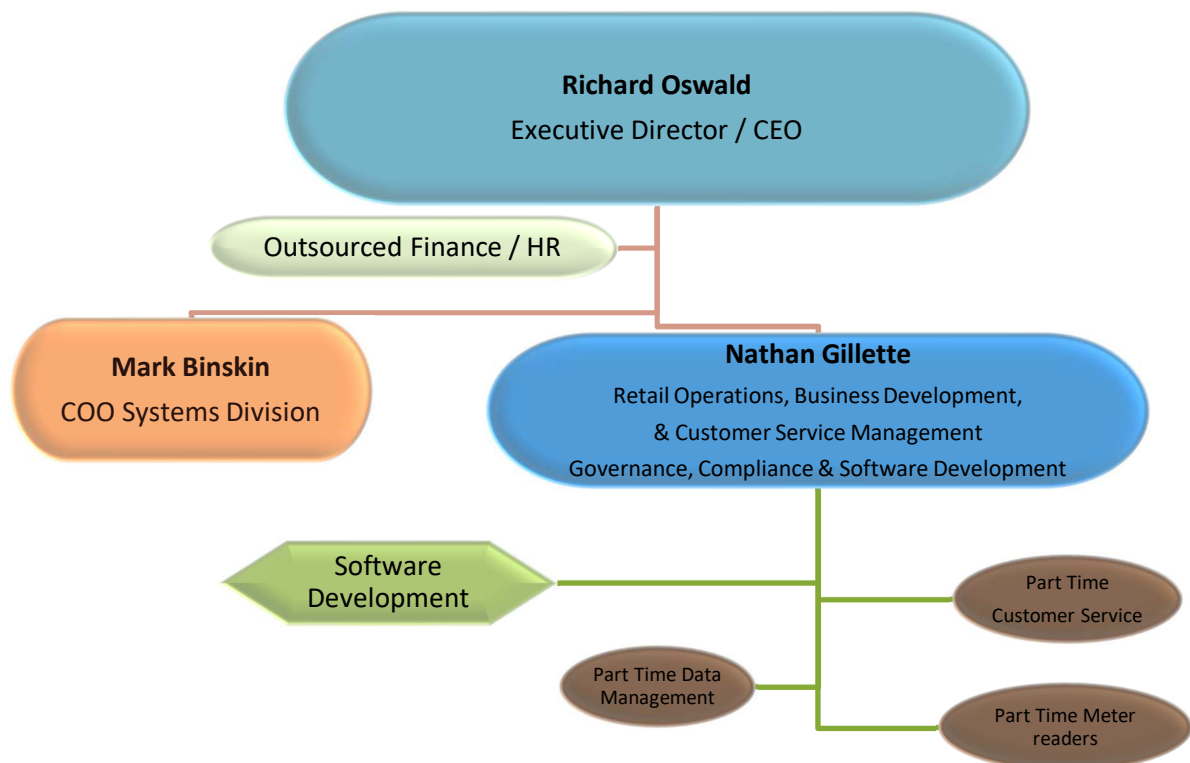
The Electricity Authority website was checked to identify any exemptions currently in place for NextGen.

Audit commentary

There are no exemptions in place.

1.2. Structure of Organisation

NextGen provided a current organisational chart.



1.3. Persons involved in this audit

Auditors:

| Name | Company | Role |
|-------------|-----------------|---------|
| Steve Woods | Veritek Limited | Auditor |

NextGen personnel assisting with this audit:

| Name | Title |
|-----------------|--|
| Nathan Gillette | Business Development/Customer Services |

1.4. Use of Agents (Clause 15.34)

Code reference

Clause 15.34

Code related audit information

A reconciliation participant who uses an agent

- *remains responsible for the contractor's fulfilment of the participant's Code obligations*
- *cannot assert that it is not responsible or liable for the obligation due to something the agent has or has not done.*

Audit observation

NextGen receives data from AMS for two C&I HHR ICPs.

Audit commentary

NextGen receives data from AMS for two C&I HHR ICPs.

AMS has been audited and their audit report is expected to be provided to the Authority when this report is submitted. I also checked whether the two relevant ICPs had any events or clock errors which could lead to inaccurate submission information. One ICP has a clock error of 74 seconds, which is outside the threshold, but it is expected this will be synchronised and the error will not affect submission accuracy.

1.5. Hardware and Software

NextGen has a suite of bespoke systems, including a MS Access based reconciliation system (ETS) and an sql based CRM.

Backup arrangements are in accordance with standard industry protocols.

1.6. Breaches or Breach Allegations

NextGen has three breach allegations recorded by the Authority, as shown in the table below.

| Reference | Status | Result | Summary |
|-----------|--------------|---------------|---|
| 1807NEXG1 | closed | early closure | NextGen failed to timely submit information for reconciliation. |
| 1811NEXG1 | fact finding | no result yet | NexGen Limited (NEXG) has failed to submit data to the reconciliation manager by 16:00 on business day 4 |
| 1812NEXG1 | fact finding | no result yet | A review of the reconciled consumption volumes for NextGen identified that the NextGen reconciled volumes for October 2018 were approximately 75% of the reconciled consumption volumes for September 2018. |

Two of the issues relate to late files and the third issue is discussed in several sections within this report.

1.7. ICP Data

NextGen provided a list as at February 2018. The quantity of ICPs by status is shown below:

| Status | Number of ICPs 2018 |
|--|---------------------|
| Active (2,0) | 759 |
| Inactive – new connection in progress (1,12) | 0 |
| Inactive – electrically disconnected vacant property (1,4) | 0 |
| Inactive – electrically disconnected remotely by AMI meter (1,7) | 0 |
| Inactive – electrically disconnected at pole fuse (1,8) | 0 |
| Inactive – electrically disconnected due to meter disconnected (1,9) | 0 |
| Inactive – electrically disconnected at meter box fuse (1,10) | 0 |
| Inactive – electrically disconnected at meter box switch (1,11) | 0 |
| Inactive – electrically disconnected ready for decommissioning (1,6) | 0 |
| Inactive – reconciled elsewhere (1,5) | 0 |
| Decommissioned (3) | 0 |

The active ICPs on the list file were summarised by meter category in the table below.

| Metering Category | 2018 |
|--------------------------|-------------|
| 1 | 752 |
| 2 | 7 |
| 3 | 0 |
| 4 | 0 |
| 5 | 0 |
| 9 | 0 |
| Blank | 0 |

1.8. Authorisation Received

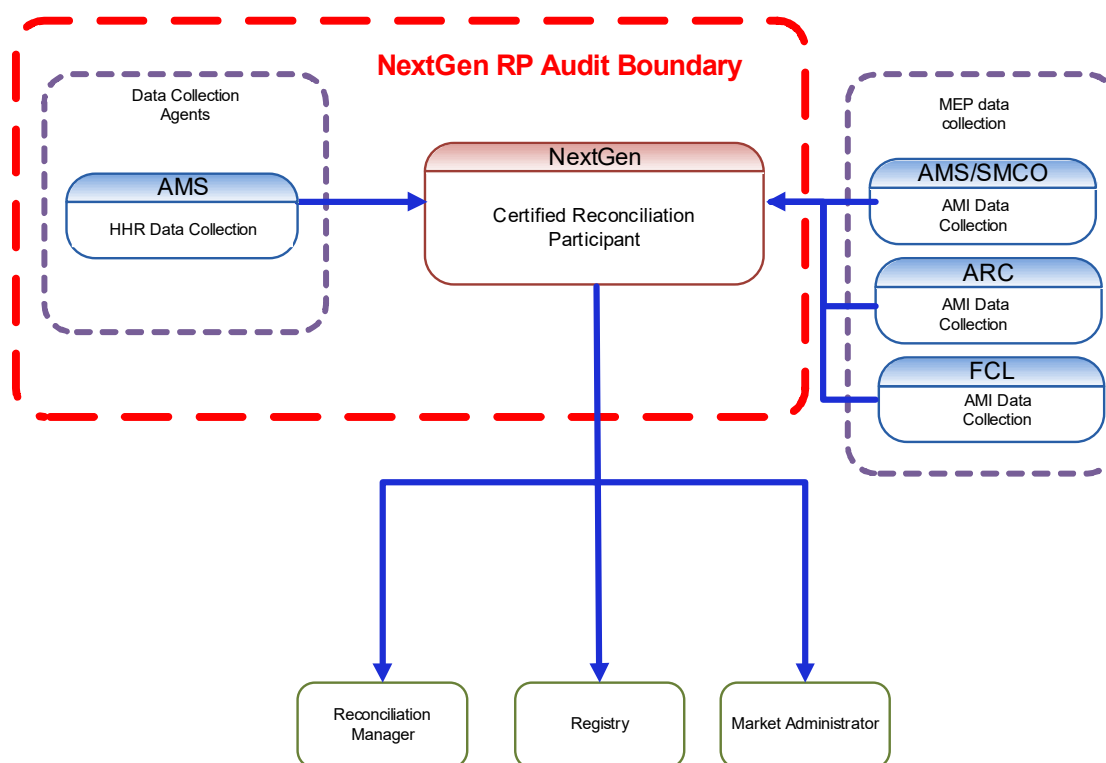
A letter of authorisation was provided to enable collection of information related to the audit.

1.9. Scope of Audit

This Electricity Industry Participation Code Reconciliation Participant audit was performed at the request of NextGen, to support their application for renewal of certification in accordance with clauses 5 and 7 of schedule 15.1.

The audit was conducted in accordance with the Guideline for Reconciliation Participant Audits V7.2.

The audit was carried out at NextGen's premises in Nelson on 10-11 December 2018. The scope of the audit is shown in the diagram below, with the NextGen audit boundary shown for clarity.



The table below shows the tasks under clause 15.38 of part 15 for which NextGen requires certification. This table also lists any agents who assist with these tasks:

| Tasks Requiring Certification Under Clause 15.38(1) of Part 15 | Agents providing services | MEPs providing services |
|---|---------------------------|----------------------------|
| (a) - Maintaining registry information and performing customer and embedded generator switching | | |
| (b) – Gathering and storing raw meter data | AMS – HHR data collection | AMS SMCO ARC FCLM |
| (c)(iii) - Creation and management of HHR and NHH volume information | AMS – HHR data collection | AMS SMCO |

| | | |
|--|--|-------------|
| | | ARC FCLM |
| (d) – Calculation of ICP days | | |
| (da) - delivery of electricity supplied information under clause 15.7 | | |
| (db) - delivery of information from retailer and direct purchaser half hourly metered ICPs under clause 15.8 | | |
| (e) – Provision of submission information for reconciliation | | |

NextGen uses AMS as an agent for HHR data collection. AMS has been audited in accordance with the Guidelines for Reconciliation Participant Audits that were current at the time of the agent's audits. The AMS audit report is almost seven months old; therefore, some additional checks were conducted to ensure compliance is still achieved.

The AMS audit report is expected to be submitted along with this report.

1.10. Summary of previous audit

NextGen provided a copy of the report from the audit conducted in March 2018 by Steve Woods. The results are shown below. Further comment is made in the relevant sections of this report.

Table of non-compliance

| Subject | Section | Clause | Non-compliance | Status |
|-----------------------------------|---------|---------------------|--|----------------|
| Relevant information | 2.1 | 10.6, 11.2, 15.2 | Some information not complete and accurate. | Still existing |
| Registry updates | 3.3 | 10 of schedule 11.1 | Registry information not updated within 5 business days of the event. | Still existing |
| Trader responsibility | 3.4 | 11.18 | One incorrect MEP nomination. | Cleared |
| Provision of registry information | 3.5 | 9 of Schedule 11.1 | Registry information not updated within 5 business days of the event for one status change and one MEP nomination. | Still existing |

| Subject | Section | Clause | Non-compliance | Status |
|-------------------------|---------|-------------------------------|---|----------------|
| Switching | 4.2 | 3 and 4 of Schedule 11.3 | Incorrect AN response codes of AA instead of AD. | Still existing |
| | 4.3 | 5 of Schedule 11.3 | Switch event meter readings for the incorrect date. | Still existing |
| | 4.4 | 6(1) and 6A Schedule 11.3 | One incorrectly labelled reading. One incorrect reading. | Still existing |
| | 4.5 | 6(2) and (3) Schedule 11.3 | Switch event meter reading from CS file not always used if it is different to the AMI reading. | Cleared |
| | 4.8 | 10(1) of Schedule 11.3 | Incorrect AN response codes of AA instead of AD. | Still existing |
| | 4.10 | 11 of Schedule 11.3 | Switch event meter readings for the incorrect date. 7 late CS files. | Still existing |
| | 4.11 | 12 of Schedule 11.3 | Switch event meter reading from CS file not always used if it is different to the AMI reading. | Cleared |
| Quantification | 6.1 | 10.13, Clause 10.24 and 15.13 | Two ICPs without an EG channel to quantify DG volumes. | Still existing |
| NHH reading application | 6.7 | 6 of Schedule 15.2 | Readings for 24:00 on the switch date provided as switch event meter readings for 00:00 on the switch date. | Still existing |
| HHR correction | 8.2 | Clause 19(2) Schedule 15.2 | Correction process for HHR data includes substitution of “actual” data with estimated data. | Still existing |

| Subject | Section | Clause | Non-compliance | Status |
|---------------------------------------|---------|-----------------------|---|----------------|
| Identification of readings | 9.1 | 3(3) Schedule 15.2 | HHR estimates identified at a daily level rather than an interval level. | Still existing |
| Electricity supplied | 11.3 | 15.7 | Electricity supplied files aggregated by consumption month not invoice month. | Still existing |
| HHR aggregates | 11.4 | 15.8 | Aggregates file contains submission information. | Still existing |
| Accuracy of submission information | 12.7 | 15.12 | No NHH revision process in place. | Still existing |
| Preparation of submission information | 12.9 | 2 of Schedule 15.3 | Incorrect submission information. | Still existing |
| HE calculations | 12.11 | 4 and 5 Schedule 15.3 | HE calculations and revisions not conducted after Day 4. | Still existing |
| Profile change reading | 12.13 | 7 Schedule 15.3 | Profile changes not always made with an actual reading. | Still existing |

Table of Recommendations

| Subject | Section | Clause | Recommendation for Improvement | Status |
|-------------------------|---------|-----------------------------------|--|----------------|
| Interrogate meters once | 6.8 | Clause 7(1) and (2) Schedule 15.2 | Develop reporting for ICPs not read during the period of supply. | Still existing |
| Compensation factors | 12.9 | Clause 2(3) of Schedule 15.3 | Automate the application of compensation factors. | Still existing |

2. OPERATIONAL INFRASTRUCTURE

2.1. Relevant information (Clause 10.6, 11.2, 15.2)

Code reference

Clause 10.6, 11.2, 15.2

Code related audit information

A participant must take all practicable steps to ensure that information that the participant is required to provide is:

- a) complete and accurate*
- b) not misleading or deceptive*
- c) not likely to mislead or deceive.*

If the participant becomes aware that in providing information under this Part, the participant has not complied with that obligation, the participant must, as soon as practicable, provide such further information as is necessary to ensure that the participant does comply.

Audit observation

The process to find and correct incorrect information was examined. The list file was examined to confirm that all information was correct and not misleading, and to identify any registry discrepancies. The registry validation process was examined in detail in relation to the achievement of this requirement.

Audit commentary

NextGen imports registry information daily and it becomes the “starting point” for all relevant fields. Any differences between this information and information in ETS are resolved each day.

Analysis of the list file found the following issues:

1. There were ten ICPs where submission occurred against the PV1 profile, but the registry had not been updated with that profile.
2. ICP 0000043474NT14D has shared unmetered load associated with it, but the unmetered load details have been removed from the registry by NextGen and submission of the unmetered load is not occurring.
3. ICP 0000042194NTF52 had incorrect submission flags for a period. This is now corrected.

Submission related issues are as follows:

1. The AV080 file has HHR profile information in it since July 2018, due to the incorrect flags mentioned above.
2. NHH submission information is correctly rounded, but the data used for invoicing is truncated after the second decimal, therefore invoices are slightly incorrect.
3. October 2018 HHR submissions are not completed or accurate because 15 of the 31 days are missing where AMS is the MEP.
4. October 2018 electricity supplied information is incorrect.
5. No revision files have been submitted during the audit period.

NextGen’s controls have not improved during the audit period and the level of compliance has reduced, leading to under submission of at least 112,000 kWh.

Audit outcome

Non-compliant

| Non-compliance | Description | | |
|---|---|-----------------------------|------------------------|
| Audit Ref: 2.1 With: Clause 10.6, 11.2, 15.2 From: 01-Apr-18 To: 14-Dec-18 | Some information not complete and accurate. Potential impact: High Actual impact: High Audit history: Once Controls: Weak Breach risk rating: 9 | | |
| Audit risk rating | Rationale for audit risk rating | | |
| High | Controls are rated as weak because the design of some processes and parts of the ETS system do not mitigate compliance risk. The audit risk rating is high because there is a major impact on submission accuracy. | | |
| Actions taken to resolve the issue | | Completion date | Remedial action status |
| An Entirely new system has been completed and is currently in testing prior to its submission for a material change audit. | | Latest Mar 2019 Submissions | Identified |
| Preventative actions taken to ensure no further issues will occur | | Completion date | |
| The new system has consistently had the correct data entered and checked in order to correct inconsistencies and inaccuracies once the new system has been implemented. | | Current | |

2.2. Provision of information (Clause 15.35)

Code reference

Clause 15.35

Code related audit information

If an obligation exists to provide information in accordance with Part 15, a participant must deliver that information to the required person within the timeframe specified in the Code, or, in the absence of any such timeframe, within any timeframe notified by the Authority. Such information must be delivered in the format determined from time to time by the Authority.

Audit observation

Processes to provide information were reviewed and observed throughout the audit.

Audit commentary

This area is discussed in several sections in this report and compliance is confirmed with regard to timeliness and format of information in accordance with Part 15.

Audit outcome

Compliant

2.3. Data transmission (Clause 20 Schedule 15.2)

Code reference

Clause 20 Schedule 15.2

Code related audit information

Transmissions and transfers of data related to metering information between reconciliation participants or their agents, for the purposes of the Code, must be carried out electronically using systems that ensure the security and integrity of the data transmitted and received.

Audit observation

I reviewed the method to receive meter reading information.

Audit commentary

All HHR data and NHH data is provided by SFTP, which is considered a compliant method.

Audit outcome

Compliant

2.4. Audit trails (Clause 21 Schedule 15.2)

Code reference

Clause 21 Schedule 15.2

Code related audit information

Each reconciliation participant must ensure that a complete audit trail exists for all data gathering, validation, and processing functions of the reconciliation participant.

The audit trail must include details of information:

- *provided to and received from the registry manager*
- *provided to and received from the reconciliation manager*
- *provided and received from other reconciliation participants and their agents.*

The audit trail must cover all archived data in accordance with clause 18.

The logs of communications and processing activities must form part of the audit trail, including if automated processes are in operation.

Logs must be printed and filed as hard copy or maintained as data files in a secure form, along with other archived information.

The logs must include (at a minimum) the following:

- *an activity identifier (clause 21(4)(a))*
- *the date and time of the activity (clause 21(4)(b))*
- *the operator identifier (clause 21(4)(c)).*

Audit observation

A complete audit trail was checked for all data gathering, validation and processing functions. I specifically checked the audit trails for the receipt of AMI data from MEPs and for the estimation processes.

Audit commentary

Some specific activities did not have a compliant audit trail, as follows:

- the correction process does not identify what estimation technique is used;

- the correction process does not show before and after values;
- there is no monthly archive detailing estimated or corrected values, the estimation routine must be re-run for the relevant month to show estimations;
- the correction process does not have a journal, as recorded in **section 8.2**; and
- AMI data from NGCM is missing from NextGen's raw data directory, but the audit trail information from AMS shows this data was all provided (placed into the SFTP directory) within two business days - the files were all removed from the SFTP folder but there was no audit trail demonstrated to indicate why the files are not in NextGen's raw data directory.

Audit outcome

Non-compliant

| Non-compliance | Description | | |
|--|--|---|------------------------|
| Audit Ref: 2.4 With: Clause 21 Schedule 15.2 From: 01-Apr-18 To: 12-Dec-18 | Audit trails incomplete in relation to estimates and AMI file locations. Potential impact: High Actual impact: High Audit history: None Controls: Weak Breach risk rating: 9 | | |
| Audit risk rating | Rationale for audit risk rating | | |
| High | The controls are recorded as weak because they do not appear to be adequately mitigating risk regard to estimations and AMI file locations. The impact on settlement is major because missing AMI files has resulted in under submission of 112,000 kWh and it's difficult to identify the estimation technique, therefore the accuracy of the estimates is unknown and it's also difficult to identify what the estimate values were for historic data sets; therefore, the audit risk rating is high. | | |
| Actions taken to resolve the issue | | Completion date | Remedial action status |
| The New system will fix the estimation gaps and errors and archive all data, as well as wash-up the previous months. The new system has been completed and is currently in testing prior to a material change audit. | | Latest 4 th day Mar 2019 | Identified |
| Preventative actions taken to ensure no further issues will occur | | Completion date | |
| Revisions are currently being ran through the ETS system, in order to be compared to the revisions coming out of the new system once it is implemented. This is in an effort to measure any differences we may need to submit for revisions. | | Current | |

2.5. Retailer responsibility for electricity conveyed - participant obligations (Clause 10.4)

Code reference

Clause 10.4

Code related audit information

If a participant must obtain a consumer's consent, approval, or authorisation, the participant must ensure it:

- *extends to the full term of the arrangement*
- *covers any participants who may need to rely on that consent.*

Audit observation

I reviewed NextGen's current terms and conditions.

Audit commentary

The terms and conditions include arrangements for meter access and shutdowns, and these clauses extend to agents. Compliance is confirmed.

Audit outcome

Compliant

2.6. Retailer responsibility for electricity conveyed - access to metering installations (Clause 10.7(2),(4),(5) and (6))

Code reference

Clause 10.7(2),(4),(5) and (6)

Code related audit information

The responsible reconciliation participant must, if requested, arrange access for the metering installation to the following parties:

- *the Authority*
- *an ATH*
- *an auditor*
- *an MEP*
- *a gaining metering equipment provider.*

The trader must use its best endeavours to provide access:

- *in accordance with any agreements in place*
- *in a manner and timeframe which is appropriate in the circumstances.*

If the trader has a consumer, the trader must obtain authorisation from the customer for access to the metering installation, otherwise it must arrange access to the metering installation.

The reconciliation participant must provide any necessary facilities, codes, keys or other means to enable the party to obtain access to the metering installation by the most practicable means.

Audit observation

I reviewed NextGen's current terms and conditions and discussed compliance with these clauses.

Audit commentary

NextGen's contract with their customers includes consent to access for authorised parties for the duration of the contract.

Audit outcome

Compliant

2.7. Physical location of metering installations (Clause 10.35(1)&(2))

Code reference

Clause 10.35(1)&(2)

Code related audit information

A reconciliation participant responsible for ensuring there is a category 1 metering installation or category 2 metering installation must ensure that the metering installation is located as physically close to a point of connection as practical in the circumstances.

A reconciliation participant responsible for ensuring there is a category 3 or higher metering installation must:

- a) if practical in the circumstances, ensure that the metering installation is located at a point of connection; or*
- b) if it is not practical in the circumstances to locate the metering installation at the point of connection, calculate the quantity of electricity conveyed through the point of connection using a loss compensation process approved by the certifying ATH.*

Audit observation

A discussion was held regarding knowledge of any ICPs with loss compensation present. The presence of loss compensation factors was also checked by examining multipliers for all CT metered ICPs.

Audit commentary

NextGen is not responsible for any metering installations with loss compensation factors.

Audit outcome

Compliant

2.8. Trader contracts to permit assignment by the Authority (Clause 11.15B)

Code reference

Clause 11.15B

Code related audit information

A trader must at all times ensure that the terms of each contract between a customer and a trader permit:

- the Authority to assign the rights and obligations of the trader under the contract to another trader if the trader commits an event of default under paragraph (a) or (b) or (f) or (h) of clause 14.41 (clause 11.15B(1)(a)); and*
- the terms of the assigned contract to be amended on such an assignment to—*
- the standard terms that the recipient trader would normally have offered to the customer immediately before the event of default occurred (clause 11.15B(1)(b)(i)); or*
- such other terms that are more advantageous to the customer than the standard terms, as the recipient trader and the Authority agree (clause 11.15B(1)(b)(ii); and*
- the terms of the assigned contract to be amended on such an assignment to include a minimum term in respect of which the customer must pay an amount for cancelling the contract before the expiry of the minimum term (clause 11.15B(1)(c)); and*

- *the trader to provide information about the customer to the Authority and for the Authority to provide the information to another trader if required under Schedule 11.5 (clause 11.15B(1)(d)); and*
- *the trader to assign the rights and obligations of the trader to another trader (clause 11.15B(1)(e)).*

The terms specified in sub-clause (1) must be expressed to be for the benefit of the Authority for the purposes of the Contracts (Privacy) Act 1982, and not be able to be amended without the consent of the Authority (clause 11.15B(2)).

Audit observation

I reviewed NextGen's current terms and conditions.

Audit commentary

NextGen's terms and conditions contain the appropriate clauses to achieve compliance with this requirement. Compliance is confirmed

Audit outcome

Compliant

2.9. Connection of an ICP (Clause 10.32)

Code reference

Clause 10.32

Code related audit information

A reconciliation participant must only request the connection of a point of connection if they:

- *accept responsibility for their obligations in Parts 10, 11 and 15 for the point of connection; and*
- *have an arrangement with an MEP to provide one or more metering installations for the point of connection.*

Audit observation

One new connection was conducted for ICP 0000055158NT722. The registry and process details were checked.

Audit commentary

NextGen had accepted responsibility for this ICP prior to it being connected.

The MEP is SMCO and an arrangement is in place.

Audit outcome

Compliant

2.10. Temporary Electrical Connection of an ICP (Clause 10.33(1))

Code reference

Clause 10.33(1)

Code related audit information

A reconciliation participant may temporarily electrically connect a point of connection, or authorise an MEP to temporarily electrically connect a point of connection, only if:

- *they are recorded in the registry as being responsible for the ICP; and*
- *one or more certified metering installations are in place at the ICP in accordance with Part 10; and*
- *for an ICP that has not previously been electrically connected, the network owner has given written approval.*

Audit observation

One new connection was conducted for ICP 0000055158NT722. The registry and process details were checked.

Audit commentary

This ICP was not temporarily electrically connected.

Audit outcome

Compliant

2.11. Electrical Connection of Point of Connection (Clause 10.33A)

Code reference

Clause 10.33A(1)

Code related audit information

A reconciliation participant may electrically connect or authorise the electrical connection of a point of connection only if:

- *they are recorded in the registry as being responsible for the ICP; and*
- *one or more certified metering installations are in place at the ICP in accordance with Part 10; and*
- *for an ICP that has not previously been electrically connected, the network owner has given written approval.*

Audit observation

One new connection was conducted for ICP 0000055158NT722. The registry and process details were checked.

Audit commentary

New Connections

ICP 0000055158NT722 was certified on the day of electrical connection.

Reconnected ICPs

All four reconnected ICPs had certified metering installed.

Audit outcome

Compliant

2.12. Arrangements for line function services (Clause 11.16)

Code reference

Clause 11.16

Code related audit information

Before providing the registry manager with any information in accordance with clause 11.7(2) or clause 11.18(4), a trader must ensure that it, or its customer, has made any necessary arrangements for the provision of line function services in relation to the relevant ICP

Before providing the registry manager with any information in accordance with clause 11.7(2) or clause 11.18(4), a trader must have entered into an arrangement with an MEP for each metering installation at the ICP.

Audit observation

The process to ensure an arrangement is in place before trading commences on a Network was examined.

Audit commentary

NextGen has arrangements for line function services with all relevant Distributors.

Audit outcome

Compliant

2.13. Arrangements for metering equipment provision (Clause 10.36)

Code reference

Clause 10.36

Code related audit information

A reconciliation participant must ensure it has an arrangement with the relevant MEP prior to accepting responsibility for an installation.

Audit observation

The process to ensure an arrangement is in place with the metering equipment provider before an ICP can be created or switched in was checked.

Audit commentary

NextGen has appropriate arrangements with all relevant MEPs except for IntelliHUB. Only one ICP is involved.

Audit outcome

Non-compliant

| Non-compliance | Description | | |
|--|---|-----------------|------------------------|
| Audit Ref: 2.13 With: Clause 10.36 From: 04-Sep-18 To: 12-Dec-18 | Arrangement not in place with IHUB. Potential impact: Low Actual impact: Low Audit history: None Controls: Moderate Breach risk rating: 2 | | |
| Audit risk rating | Rationale for audit risk rating | | |
| Low | The controls are recorded as moderate because they mitigate risk most of the time but there is room for improvement. The impact on is negligible; therefore, the audit risk rating is low. | | |
| Actions taken to resolve the issue | | Completion date | Remedial action status |
| This has been known and acknowledged, NGE has already been working to correct this prior to the audit, by making the necessary agreement arrangements with Intellihub. As well our new system is set to avoid this in the future by bypassing manual checking and automating notifications of pending switches that have a MEP listed outside our approved list. | | ASAP | Identified |
| Preventative actions taken to ensure no further issues will occur | | Completion date | |
| Manuel checking has been spread across a broader team temporarily whilst we await the new system implementation. | | | |

3. MAINTAINING REGISTRY INFORMATION

3.1. Obtaining ICP identifiers (Clause 11.3)

Code reference

Clause 11.3

Code related audit information

The following participants must, before assuming responsibility for certain points of connection on a local network or embedded network, obtain an ICP identifier for the point of connection:

- a) a trader who has agreed to purchase electricity from an embedded generator or sell electricity to a consumer*
- b) an embedded generator who sells electricity directly to the clearing manager*
- c) a direct purchaser connected to a local network or an embedded network*
- d) an embedded network owner in relation to a point of connection on an embedded network that is settled by differencing*
- e) a network owner in relation to a shared unmetered load point of connection to the network owner's network*
- f) a network owner in relation to a point of connection between the network owner's network and an embedded network.*

ICP identifiers must be obtained for points of connection at which any of the following occur:

- a consumer purchases electricity from a trader 11.3(3)(a)*
- a trader purchases electricity from an embedded generator 11.3(3)(b)*
- a direct purchaser purchases electricity from the clearing manager 11.3(3)(c)*
- an embedded generator sells electricity directly to the clearing manager 11.3(3)(d)*
- a network is settled by differencing 11.3(3)(e)*
- there is a distributor status ICP on the parent network point of connection of an embedded network or at the point of connection of shared unmetered load 11.3(3)(f).*

Audit observation

One new connection was conducted for ICP 0000055158NT722. The registry and process details were checked.

Audit commentary

A walkthrough of the process confirmed that this requirement is well understood and managed by NextGen. There were no connections to networks identified without ICPs.

Audit outcome

Compliant

3.2. Providing registry information (Clause 11.7(2))

Code reference

Clause 11.7(2)

Code related audit information

Each trader must provide information to the registry manager about each ICP at which it trades electricity in accordance with Schedule 11.1.

Audit observation

The new connection process was examined in detail. The list file was analysed in conjunction with the event detail report to evaluate the updating of the registry in relation to new connections. This clause links directly to **section 3.5** below. The findings for the timeliness of updates are detailed there.

Audit commentary

The new connection process is detailed in **sections 2.9** and **3.5**. The process in place ensures that the trader required information is populated as required by this clause.

Audit outcome

Compliant

3.3. Changes to registry information (Clause 10 Schedule 11.1)

Code reference

Clause 10 Schedule 11.1

Code related audit information

If information provided by a trader to the registry manager about an ICP changes, the trader must provide written notice to the registry manager of the change no later than five business days after the change.

Audit observation

The process to manage status changes is discussed in detail in **sections 3.8** and **3.9** below. In this section I have examined the event detail report for the period from 01/04/18 to 31/10/18 to determine the overall performance for that period. I used the extreme case methodology examining all 24 ICPs that were updated greater than five days from the event date; with the exclusion of new connections in progress (these can only be non-compliant if not updated within five business days of electrical connection).

Audit commentary

The table below shows the level of compliance for changes to Active. There were no changes to inactive.

| Event | Year | Total ICPs | ICPs Notified Within 5 Days | ICPs Notified Greater Than 5 Days | Average Notification Days | Percentage Compliant |
|-----------------------------------|-----------------|------------|-----------------------------|-----------------------------------|---------------------------|----------------------|
| Changes to active - reconnections | April 2018 | 5 | 0 | 5 | 7.6 | 0.0% |
| | Dec 2018 | 4 | 1 | 3 | 12 | 25% |
| Changes of MEP | April 2018 | 18 | 1 | 17 | 38 | 5.6% |
| | Dec 2018 | 9 | 0 | 9 | 96 | 0% |
| Trader updates (profile changes) | April 2018 | 17 | 4 | 13 | 9.5 | 24% |
| | Dec 2018 | 11 | 0 | 11 | 55 | 0% |

The findings of the evaluation of reasons for late updates is discussed below.

Reconnections

All examples were where reconnections had occurred at the time of switch in and the notification was received from the field, but the status update was overlooked.

Change of MEP

NextGen were waiting for confirmation from the field that metering had been changed before nominating the new MEP. NextGen has recognised that this process will always result in delays because MEPs have 15 business days to populate the registry upon a change of MEP but NextGen only has five days.

Trader updates (profile changes)

Seven of these updates were NHH to HHR or HHR to NHH and the reason for them being late is because NextGen waits for confirmation of a reliable source of HHR data from the MEP and makes the change to HHR, or if the ICP is already HHR and the data is unreliable, the ICP is changed from HHR to NHH. Backdating occurs back to the date the data is reliable or unreliable, depending on the nature of the change. Four were late changes to PV1 due to processing issues.

Audit outcome

Non-compliant

| Non-compliance | Description | | |
|--|---|-----------------|------------------------|
| Audit Ref: 3.3 With: Clause 10 of schedule 11.1 From: 01-Apr-18 To: 12-Dec-18 | Registry information not updated within 5 business days of the event. Potential impact: Medium Actual impact: Low Audit history: Twice Controls: Weak Breach risk rating: 3 | | |
| Audit risk rating | Rationale for audit risk rating | | |
| Low | Controls do not mitigate risk most of the time and are recorded as weak. The audit risk rating is low because there is a minor impact on submission for some of the late updates to Active and late MEP nominations can cause MEPs to be late with their metering updates. Late profile changes result in the need for revisions to occur and these are not currently being conducted. | | |
| Actions taken to resolve the issue | | Completion date | Remedial action status |
| The new system will contain stricter controls in regard to switching, status updates and profile updates. Taking a more precautionary calculation to make changes in order to minimize non compliance as best as possible. | | Mar 2019 | Identified |
| Preventative actions taken to ensure no further issues will occur | | Completion date | |
| A stricter manuel examination of daily processes has been implemented in order to identify quickly registry updates needed. | | Current | |

3.4. Trader responsibility for an ICP (Clause 11.18)

Code reference

Clause 11.18

Code related audit information

A trader becomes responsible for an ICP when the trader is recorded in the registry as being responsible for the ICP.

A trader ceases to be responsible for an ICP if:

- *another trader is recorded in the registry as accepting responsibility for the ICP (clause 11.18(2)(a)); or*
- *the ICP is decommissioned in accordance with clause 20 of Schedule 11.1 (clause 11.18(2)(b)).*
- *if an ICP is to be decommissioned, the trader who is responsible for the ICP must (clause 11.18(3)):*
 - o *arrange for a final interrogation to take place prior to or upon meter removal (clause 11.18(3)(a)); and*
 - o *advise the MEP responsible for the metering installation of the decommissioning (clause 11.18(3)(b)).*

A trader who is responsible for an ICP (excluding UML) must ensure that an MEP is recorded in the registry for that ICP (clause 11.18(4)).

A trader must not trade at an ICP (excluding UML) unless an MEP is recorded in the registry for that ICP (clause 11.18(5)).

Audit observation

Retailers Responsibility to Nominate and Record MEP in the Registry

One new connection was conducted for ICP 0000055158NT722. The registry and process details were checked.

ICP Decommissioning

No ICPs have been decommissioned during the audit period.

Audit commentary

Retailers Responsibility to Nominate and Record MEP in the Registry

ICP 0000055158NT722 had the correct MEP nominated within five business days.

ICP Decommissioning

No ICPs have been decommissioned during the audit period.

Audit outcome

Compliant

3.5. Provision of information to the registry manager (Clause 9 Schedule 11.1)

Code reference

Clause 9 Schedule 11.1

Code related audit information

Each trader must provide the following information to the registry manager for each ICP for which it is recorded in the registry as having responsibility:

- a) the participant identifier of the trader, as approved by the Authority (clause 9(1)(a))
- b) the profile code for each profile at that ICP, as approved by the Authority (clause 9(1)(b))
- c) the metering equipment provider for each category 1 metering or higher (clause 9(1)(c))
- d) the type of submission information the trader will provide to the RM for the ICP (clause 9(1)(ea))
- e) if a settlement type of UNM is assigned to that ICP, either:
 - the code ENG if the load is profiled through an engineering profile in accordance with profile class 2.1 (clause 9(1)(f)(i)); or
 - in all other cases, the daily average kWh of unmetered load at the ICP (clause 9(1)(f)(ii)).
 - the type and capacity of any unmetered load at each ICP (clause 9(1)(g))
 - the status of the ICP, as defined in clauses 12 to 20 (clause 9(1)(j))
 - except if the ICP exists for the purposes of reconciling an embedded network or the ICP has distributor status, the trader must provide the relevant business classification code applicable to the customer (clause 9(1)(k)).

The trader must provide information specified in (a) to (j) above within five business days of trading (clause 9(2)).

The trader must provide information specified in 9(1)(k) no later than 20 business days of trading (clause 9(3)).

Audit observation

One new connection was conducted for ICP 0000055158NT722. The registry and process details were checked.

Audit commentary

The registry was populated on time for the one new connection ICP.

| Event | Year | Total ICPs | ICPs Notified Within 5 Days | ICPs Notified Greater Than 5 Days | Average Notification Days | Percentage Compliant |
|-------------------------------------|-----------------|------------|-----------------------------|-----------------------------------|---------------------------|----------------------|
| Changes to active - new connections | Apr 2018 | 1 | 0 | 1 | 9 | 0% |
| | Dec 2018 | 1 | 1 | 0 | 1 | 100% |
| MEP nomination | Apr 2018 | 1 | 0 | 1 | 9 | 0% |
| | Dec 2018 | 1 | 1 | 0 | 1 | 100% |

Audit outcome

Compliant

3.6. ANZSIC codes (Clause 9 (1(k) of Schedule 11.1)

Code reference

Clause 9 (1(k) of Schedule 11.1

Code related audit information

Traders are responsible to populate the relevant ANZSIC code for all ICPs for which they are responsible.

Audit observation

The process to capture and manage ANZSIC codes was examined. A Registry list file was reviewed to check ANZSIC codes. This was checked for:

- no ANZSIC codes
- "T99" codes
- accuracy of ANZSIC codes applied.

The accuracy was checked by selecting a random sample of 40 active ICPs using the diverse characteristics methodology and checking them by using google streetview.

Audit commentary

NextGen ensure that all new customers are assigned an ANZSIC code. Reports for missing or "T99" – non-specific ANZSIC codes are checked as part of the registry discrepancy process.

The list file was analysed and found that all active ICPs had an ANZSIC code applied and there were only three ICPs with T995 (refused to answer). These ICPs are all with the same customer and NextGen confirmed the customer does not want the nature of their business to be published.

Of the 40 ICPs checked the registry seems to be incorrect for two. Since the draft audit report was provided, NextGen has confirmed that ICP 0000183928CTDB9, which is recorded as "School Education". Is correct; it's a business running out of a house. ICP 0000036316NTCA3 is recorded as residential but it seems to be newspaper publication.

Audit outcome

Non-compliant

| Non-compliance | Description | | |
|---|--|-----------------|------------------------|
| Audit Ref: 3.6 With: Clause 9 (1(k) of Schedule 11.1 From: 01-Apr-18 To: 14-Dec-18 | Two incorrect ANZSIC codes Potential impact: Low Actual impact: Low Audit history: None Controls: Strong Breach risk rating: 1 | | |
| Audit risk rating | Rationale for audit risk rating | | |
| Low | The controls are recorded as strong because they mitigate risk most of the time. The impact on reporting by the Authority is minor, therefore the audit risk rating is low. | | |
| Actions taken to resolve the issue | | Completion date | Remedial action status |

| | | |
|--|------------------------|----------|
| I believe these are actually correct ANZSIC codes according to the customer identified business. They appear as residences, as they were once were, but have now been run as businesses since being our customers. | Current | Disputed |
| Preventative actions taken to ensure no further issues will occur | Completion date | |
| See above | Current | |

3.7. Changes to unmetered load (Clause 9(1)(f) of Schedule 11.1)

Code reference

Clause 9(1)(f) of Schedule 11.1

Code related audit information

If a settlement type of UNM is assigned to that ICP, the trader must populate:

- the code ENG if the load is profiled through an engineering profile in accordance with profile class 2.1 (clause 9(1)(f)(i)); or
- the daily average kWh of unmetered load at the ICP in all other cases (clause 9(1)(f)(ii)).

Audit observation

I checked the registry list file for unmetered load ICPs.

Audit commentary

ICP 0000043474NT14D switched to NextGen on 07/09/18. It has had shared unmetered load since 2006. On 09/11/18 NextGen removed the unmetered load fields with an effective date of 01/11/18. The “parent” ICP still has this ICP listed, therefore the unmetered load details will need to be reinstated and submission needs to occur with appropriate revisions.

Audit outcome

Non-compliant

| Non-compliance | Description | | |
|---|--|-----------------|------------------------|
| Audit Ref: 3.7 With: Clause 9(1)(f) of Schedule 11.1 From: 01-Nov-18 To: 12-Dec-18 | Unmetered load details removed from the registry for ICP 0000043474NT14D. Potential impact: Low Actual impact: Low Audit history: None Controls: None Breach risk rating: 5 | | |
| Audit risk rating | Rationale for audit risk rating | | |
| Low | There are no controls in place to ensure unmetered load details are recorded correctly. The impact on settlement is minor; therefore, the audit risk rating is low. | | |
| Actions taken to resolve the issue | | Completion date | Remedial action status |

| | | |
|---|------------------------|------------|
| NGE is aware of this and it is addressed in our new system, which will be capable of managing UML | Mar 2019 | Identified |
| Preventative actions taken to ensure no further issues will occur | Completion date | |
| UML will be restored and revision will correct the errored submission | Mar 2019 | |

3.8. Management of “active” status (Clause 17 Schedule 11.1)

Code reference

Clause 17 Schedule 11.1

Code related audit information

The ICP status of “active” is managed by the relevant trader and indicates that:

- the associated electrical installations are electrically connected (clause 17(1)(a))
- the trader must provide information related to the ICP in accordance with Part 15, to the reconciliation manager for the purpose of compiling reconciliation information (clause 17(1)(b)).

Before an ICP is given the “active” status, the trader must ensure that:

- the ICP has only one customer, embedded generator, or direct purchaser (clause 17(2)(a))
- the electricity consumed is quantified by a metering installation or a method of calculation approved by the Authority (clause 17(2)(b)).

Audit observation

The new connection process was examined in detail as discussed in **sections 2.9** and **3.5**. I checked for variances between the initial electrical connection date and the Active date for the one new connection.

The process for the management of ICP reconnection was examined. The event detail report for the period 01/04/18 to 30/11/18 was analysed, and the findings in relation to the timeliness of updates to registry is recorded in **section 3.3**.

Audit commentary

NextGen’s processes will ensure that there is only one customer associated with any ICP and that there is a method of quantification.

Active Date vs. Initial Electrical Connection Date

The Active date matches the Initial Electrical Connection date for the one new connection.

Active Date vs. Meter Certification Date

The Active date matches the certification date for the one new connection.

No examples of incorrect statuses were identified.

Audit outcome

Compliant

3.9. Management of “inactive” status (Clause 19 Schedule 11.1)

Code reference

Clause 19 Schedule 11.1

Code related audit information

The ICP status of “inactive” must be managed by the relevant trader and indicates that:

- *electricity cannot flow at that ICP (clause 19(a)); or*
- *submission information related to the ICP is not required by the reconciliation manager for the purpose of compiling reconciliation information (clause 19(b)).*

Audit observation

The inactive status has not been used by NextGen.

Audit commentary

The inactive status has not been used by NextGen.

Audit outcome

Not applicable

3.10. ICPs at new or ready status for 24 months (Clause 15 Schedule 11.1)

Code reference

Clause 15 Schedule 11.1

Code related audit information

If an ICP has had the status of "New" or "Ready" for 24 calendar months or more, the distributor must ask the trader whether it should continue to have that status and must decommission the ICP if the trader advises the ICP should not continue to have that status.

Audit observation

Whilst this is a Distributor’s code obligation, I investigated whether any queries had been received from Distributors in relation to ICPs at the “New” or “Ready” status for more than 24 months and what process is in place to manage and respond to such requests.

Audit commentary

No ICPs were found in the list file in the “new” or “ready” status, and they have not received any requests from Distributors.

Audit outcome

Compliant

4. PERFORMING CUSTOMER AND EMBEDDED GENERATOR SWITCHING

4.1. Inform registry of switch request for ICPs - standard switch (Clause 2 Schedule 11.3)

Code reference

Clause 2 Schedule 11.3

Code related audit information

The standard switch process applies where a trader and a customer or embedded generator enters into an arrangement in which the trader commences trading electricity with the customer or embedded generator at a non-half hour or unmetered ICP at which another trader supplies electricity, or the trader assumes responsibility for such an ICP.

If the uninvited direct sale agreement applies to an arrangement described above, the gaining trader must identify the period within which the customer or embedded generator may cancel the arrangement in accordance with section 36M of the Fair Trading Act 1986. The arrangement is deemed to come into effect on the day after the expiry of that period.

A gaining trader must advise the registry manager of a switch no later than two business days after the arrangement comes into effect and include in its advice to the registry manager that the switch type is TR and one or more profile codes associated with that ICP.

Audit observation

I checked the event detail report for ICPs where the switch event date was more than two business days prior to the date the NT file was sent.

Audit commentary

NextGen does not conduct any direct marketing, therefore the sections of the Fair Trading Act are not relevant.

No NT files were sent later than two business days of the event date.

Audit outcome

Compliant

4.2. Losing trader response to switch request and event dates - standard switch (Clauses 3 and 4 Schedule 11.3)

Code reference

Clauses 3 and 4 Schedule 11.3

Code related audit information

Within three business days after receiving notice of a switch from the registry manager, the losing trader must establish a proposed event date. The event date must be no more than 10 business days after the date of receipt of such notification, and in any 12-month period, at least 50% of the event dates must be no more than five business days after the date of notification. The losing trader must then:

- *provide acknowledgement of the switch request by (clause 3(a) of Schedule 11.3):*
- *providing the proposed event date to the registry manager and a valid switch response code (clause 3(a)(i) and (ii) of Schedule 11.3); or*
- *providing a request for withdrawal of the switch in accordance with clause 17 (clause 3(c) of Schedule 11.3).*

When establishing an event date for clause 4, the losing trader must disregard every event date established by the losing trader for a customer who has been with the losing trader for less than two calendar months (clause 4(2) of Schedule 11.3).

Audit observation

An event detail report for the audit period was reviewed, to identify AN files issued by NextGen during the audit period. All AN files were sent with the AA code. I checked whether any should have been sent with different codes.

The switch breach report was examined for the audit period.

The event detail report was analysed to assess compliance with the requirement to meet the setting of event dates requirement.

Audit commentary

NextGen has used the AA code for all AN files, however a check of four AN files confirmed that all four should have the AD code used because advanced metering was present.

The switch breach report for the audit period was checked and it confirmed all AN files were sent on time.

The event detail report contained eight transfer switches. All eight had an event date within five days.

Audit outcome

Non-compliant

| Non-compliance | Description | | |
|--|---|-----------------|------------------------|
| Audit Ref: 4.2 With: Clause 3(a)(i)(B) of Schedule 11.3 From: 01-Apr-18 To: 12-Dec-18 | Incorrect AN response codes of AA instead of AD. Potential impact: Low Actual impact: None Audit history: Once Controls: Moderate Breach risk rating: 2 | | |
| Audit risk rating | Rationale for audit risk rating | | |
| Low | Strong controls are in place with regard to timeliness of AN files and setting of event dates. Controls require strengthening to ensure the "most valid" AN response code is used. There is no impact to other participants from using AA instead of AD. Traders use the content of the registry rather than the AN response code to determine whether AMI is present. The audit risk rating is low. | | |
| Actions taken to resolve the issue | | Completion date | Remedial action status |
| We have noted in our processes to identify Advanced Metering Assets AMCI meters to be met with an AN AD response, but we have not had any AMCI meters switch since the last audit. | | NA | Disputed |
| Preventative actions taken to ensure no further issues will occur | | Completion date | |

| | | |
|----|----|---|
| NA | NA | Post audit auditor comment. AMCI metering is not AMI. AMI installations have the "AMI" flag as "Y" and are normally mass market HHR ICPs. |
|----|----|---|

4.3. Losing trader must provide final information - standard switch (Clause 5 Schedule 11.3)

Code reference

Clause 5 Schedule 11.3

Code related audit information

If the losing trader provides information to the registry manager in accordance with clause 3(a) of Schedule 11.3 with the required information, no later than five business days after the event date, the losing trader must complete the switch by:

- *providing event date to the registry manager (clause 5(a)); and*
- *provide to the gaining trader a switch event meter reading as at the event date, for each meter or data storage device that is recorded in the registry with accumulator of C and a settlement indicator of Y (clause 5(b)); and*
- *if a switch event meter reading is not a validated reading, provide the date of the last meter reading (clause 5(c)).*

Audit observation

An event detail report for the audit period was reviewed, to identify CS files issued by NextGen during the audit period. The accuracy of the content of CS files was confirmed by checking a sample of seven records (two TR and five MI switches). The content checked included:

- correct identification of meter readings and correct date of last meter reading
- accuracy of meter readings
- accuracy of average daily consumption
- examples of zero average daily consumption
- examples high average daily consumption.

The process to manage the sending of the CS file within five business days of the event date was examined.

The switch breach history report for the audit period was reviewed to identify late CS files.

Audit commentary

One issue was found with the content of CS files. Switch event meter readings for one ICP were for 24:00 on the day of the switch instead of 00:00 on the day of the switch (24:00 on the day before the switch). This could have resulted in one day of consumption (500 kWh for this ICP) being incorrectly apportioned to NextGen rather than the gaining trader. The gaining trader sent an RR and the readings were changed.

The switch breach report for the audit period was checked and it had no late CS files recorded.

Average daily consumption is manually added based on the previous invoice but for the two ICPs checked, the figure was incorrect - 20 instead of 30, and 200 instead of 500.

Audit outcome

Non-compliant

| Non-compliance | Description | | |
|--|---|-----------------|------------------------|
| Audit Ref: 4.3 With: Clause 5 of Schedule 11.3 From: 01-Apr-17 To: 12-Dec-18 | Switch event meter readings for the incorrect date for one ICP. Incorrect daily consumption for two ICPs. Potential impact: Medium Actual impact: Low Audit history: Once Controls: Moderate Breach risk rating: 2 | | |
| Audit risk rating | Rationale for audit risk rating | | |
| Low | The controls are recorded as moderate because they mitigate risk most of the time but there is room for improvement with regard to switch event meter reading accuracy and average daily consumption accuracy. The impact on settlement and participants is minor (one day of consumption for switched out ICPs); therefore, the audit risk rating is low. | | |
| Actions taken to resolve the issue | | Completion date | Remedial action status |
| This will be automated in our new system, preventing further noncompliance | | Mar 2019 Latest | Identified |
| Preventative actions taken to ensure no further issues will occur | | Completion date | |
| Previous Manual process updates mostly corrected these issues, however another review is in order, as we have trained new staff to handle some of these tasks. This will be monitored more closely until our new system is implemented | | Current | |

4.4. Retailers must use same reading - standard switch (Clause 6(1) and 6A Schedule 11.3)

Code reference

Clause 6(1) and 6A Schedule 11.3

Code related audit information

The losing trader and the gaining trader must both use the same switch event meter reading as determined by the following procedure:

- *if the switch event meter reading provided by the losing trader differs by less than 200 kWh from a value established by the gaining trader, the gaining trader must use the losing trader's validated meter reading or permanent estimate (clause 6(a)); or*
- *the gaining trader may dispute the switch meter reading if the validated meter reading or permanent estimate provided by the losing trader differs by 200 kWh or more (clause 6(b)).*

If the gaining trader disputes a switch meter reading because the switch event meter reading provided by the losing trader differs by 200 kWh or more, the gaining trader must, within four calendar months of the actual event date, provide to the losing trader a changed switch event meter reading supported by two validated meter readings.

- *the losing trader can choose not to accept the reading however must advise the gaining trader no later than five business days after receiving the switch event meter reading from the gaining trader (clause 6A(a)); or*
- *if the losing trader notifies its acceptance or does not provide any response, the losing trader must use the switch event meter reading supplied by the gaining trader (clause 6A(b)).*

Audit observation

The process for the management of read requests was examined.

The event detail report and switch breach report were analysed to identify all read change requests and acknowledgements during the audit period.

A combined sample of eight read change files from the event detail report was selected using the diverse sample methodology. The sample included both transfer and gaining trader read requests, files exchanged with different traders, and a mix of acceptances and rejections.

The switch breach history report for the audit period was reviewed and found no late RR files.

Audit commentary

No issues were found with the RR process for the eight ICPs checked. There were no late files.

Audit outcome

Compliant

4.5. Non-half hour switch event meter reading - standard switch (Clause 6(2) and (3) Schedule 11.3)

Code reference

Clause 6(2) and (3) Schedule 11.3

Code related audit information

If the losing trader trades electricity from a non-half hour meter, with a switch event meter reading that is not from an AMI certified meter flagged Y in the registry: and

- *the gaining trader will trade electricity from a meter with a half hour submission type in the registry (clause 6(2)(b));*
- *the gaining trader within five business days after receiving final information from the registry manager, may provide the losing trader with a switch event meter reading from that meter. The losing trader must use that switch event meter reading.*

Audit observation

A combined sample of eight read change files from the event detail report was selected using the diverse sample methodology. The sample included both transfer and gaining trader read requests, files exchanged with different traders, and a mix of acceptances and rejections

Audit commentary

No issues were found with the RR process for the eight ICPs checked.

Audit outcome

Compliant

4.6. Disputes - standard switch (Clause 7 Schedule 11.3)

Code reference

Clause 7 Schedule 11.3

Code related audit information

A losing trader or gaining trader may give written notice to the other that it disputes a switch event meter reading provided under clauses 1 to 6. Such a dispute must be resolved in accordance with clause 15.29 (with all necessary amendments).

Audit observation

Confirm with NextGen whether any disputes have needed to be resolved in accordance with this clause.

Audit commentary

There were no examples of disputes that needed to be resolved under this clause.

Audit outcome

Not applicable

4.7. Gaining trader informs registry of switch request - switch move (Clause 9 Schedule 11.3)

Code reference

Clause 9 Schedule 11.3

Code related audit information

The switch move process applies where a gaining trader has an arrangement with a customer or embedded generator to trade electricity at an ICP using non half-hour metering or an unmetered ICP, or to assume responsibility for such an ICP, and no other trader has an agreement to trade electricity at that ICP, this is referred to as a switch move and the following provisions apply:

If the "uninvited direct sale agreement" applies, the gaining trader must identify the period within which the customer or embedded generator may cancel the arrangement in accordance with section 36M of the Fair Trading Act 1986. The arrangement is deemed to come into effect on the day after the expiry of that period.

In the event of a switch move, the gaining trader must advise the registry manager of a switch and the proposed event date no later than two business days after the arrangement comes into effect.

In its advice to the registry manager the gaining trader must include:

- *a proposed event date (clause 9(2)(a)); and*
- *that the switch type is "MI" (clause 9(2)(b)); and*
- *one or more profile codes of a profile at the ICP (clause 9(2)(c)).*

Audit observation

A sample of all eight ICPs with backdated NT dates was checked to confirm that these were notified to the registry within two business days of agreement with the customer.

Audit commentary

All switches were sent within two business days of the agreement being reached and the clearance of any pre-conditions. In nearly all cases, the customer contacted NextGen after they moved into the premise.

Audit outcome

Compliant

4.8. Losing trader provides information - switch move (Clause 10(1) Schedule 11.3)

Code reference

Clause 10(1) Schedule 11.3

Code related audit information

10(1) Within five business days after receiving notice of a switch move request from the registry manager—

- *10(1)(a) If the losing trader accepts the event date proposed by the gaining trader, the losing trader must complete the switch by providing to the registry manager:*
 - *confirmation of the switch event date; and*
 - *a valid switch response code; and*
 - *final information as required under clause 11; or*
- *10(1)(b) If the losing trader does not accept the event date proposed by the gaining trader, the losing trader must acknowledge the switch request to the registry manager and determine a different event date that—*
 - *is not earlier than the gaining trader's proposed event date, and*
 - *is no later than 10 business days after the date the losing trader receives notice; or*
- *10(1)(c) request that the switch be withdrawn in accordance with clause 17.*

Audit observation

An event detail report for the audit period was reviewed, to identify AN files issued by NextGen during the audit period. All AN files were sent with the AA code. I checked whether any should have been sent with different codes.

The switch breach report was examined for the audit period.

The event detail report was analysed to assess compliance with the requirement to meet the setting of event dates requirement.

Audit commentary

NextGen has used the AA code for all AN files; however a check of five AN files confirmed that all five should have the AD code used because advanced metering was present.

The switch breach report for the audit period was checked and it confirmed that one AN file was sent two days late.

The event detail report was checked, and it confirmed no event dates were set earlier than the proposed date and none were greater than ten days.

Audit outcome

Non-compliant

| Non-compliance | Description | | |
|---|---|-----------------|------------------------|
| Audit Ref: 4.8 With: Clause 10(1) Schedule 11.3 From: 01-Apr-18 To: 12-Dec-18 | Incorrect AN response codes of AA instead of AD. 1 late AN. Potential impact: None Actual impact: None Audit history: Once Controls: Moderate Breach risk rating: 2 | | |
| Audit risk rating | Rationale for audit risk rating | | |
| Low | Strong controls are in place with regard to timeliness of AN files and setting of event dates. Controls require strengthening to ensure the “most valid” AN response code is used. There is no impact to other participants from using AA instead of AD. Traders use the content of the registry rather than the AN response code to determine whether AMI is present. The audit risk rating is low. | | |
| Actions taken to resolve the issue | | Completion date | Remedial action status |
| As Mentioned above, we have revised our processes to correct this, however I believe this is done by misunderstanding. We have an agreement with Advanced Metering Assets and have identified each of these meters to be acknowledge as advanced metering. However, we are not aware that all AMI meters are considered Advanced, and if so, this is a basic fix, and can be implemented immediately. | | Current | Investigating |
| Preventative actions taken to ensure no further issues will occur | | Completion date | |
| Current see above | | Current | |

4.9. Losing trader determines a different date - switch move (Clause 10(2) Schedule 11.3)

Code reference

Clause 10(2) Schedule 11.3

Code related audit information

If the losing trader determines a different date, the losing trader must also complete the switch by providing to the registry manager as described in sub-clause (1)(a):

- *the event date proposed by the losing trader; and*
- *a valid switch response code; and*
- *final information as required under clause 1.*

Audit observation

The setting of event dates for move switches was examined. The event detail report for all switch moves recorded for the audit period was examined, comparing the NT requested event date with the AN event

date sent by NextGen for any switches dated earlier than the NT requested date. The report was also checked for any event dates that were set greater than ten days from the NT receipt date.

Audit commentary

Analysis found no switches where the event date was set earlier than the gaining trader's requested date, and no ICPs were found with event dates set greater than ten business days from the NT receipt date.

Audit outcome

Compliant

4.10. Losing trader must provide final information - switch move (Clause 11 Schedule 11.3)

Code reference

Clause 11 Schedule 11.3

Code related audit information

The losing trader must provide final information to the registry manager for the purposes of clause 10(1)(a)(ii), including—

- *the event date (clause 11(a)); and*
- *a switch event meter reading as at the event date for each meter or data storage device that is recorded in the registry with an accumulator type of C and a settlement indicator of Y (clause 11(b)); and*
- *if the switch event meter reading is not a validated meter reading, the date of the last meter reading of the meter or storage device (clause (11(c)).*

Audit observation

An event detail report for the audit period was reviewed, to identify CS files issued by NextGen during the audit period. The accuracy of the content of CS files was confirmed by checking a sample of five records. The content checked included:

- correct identification of meter readings and correct date of last meter reading
- accuracy of meter readings
- accuracy of average daily consumption
- examples of zero average daily consumption
- examples high average daily consumption.

The process to manage the sending of the CS file within five business days of the event date was examined.

The switch breach history report for the audit period was reviewed to identify late CS files.

Audit commentary

Two issues were found with the content of CS files. Meter readings for one ICP were recorded as Actual but they were estimates. The readings in raw data files were lower than the readings provided, and the gaining trader sent an RR to have them changed. Another ICP had three registers, two readings were provided for the correct date, but one was provided from the next day. Average daily consumption was incorrect for two ICPs.

The switch breach report for the audit period was checked and it had five late CS files recorded.

Audit outcome

Non-compliant

| Non-compliance | Description | | |
|---|---|-----------------|------------------------|
| Audit Ref: 4.11 With: Clause 11 of Schedule 11.3 From: 01-Apr-18 To: 12-Dec-18 | Switch event meter readings for the incorrect date for one ICP. Estimates labelled as Actuals for one ICP. 5 late CS files. Potential impact: Medium Actual impact: Low Audit history: Once Controls: Moderate Breach risk rating: 2 | | |
| Audit risk rating | Rationale for audit risk rating | | |
| Low | The controls are recorded as moderate because they mitigate risk most of the time but there is room for improvement with regard to switch event meter reading accuracy and timeliness of CS files. The impact on settlement and participants is minor (one day of consumption for switched out ICPs); therefore, the audit risk rating is low. | | |
| Actions taken to resolve the issue | | Completion date | Remedial action status |
| As mentioned previously "The new system will contain stricter controls in regard to switching...." Automated CS files will minimize if not entirely eliminate these issues. | | Mar 2019 Latest | Identified |
| Preventative actions taken to ensure no further issues will occur | | Completion date | |
| A stricter manual examination of daily processes has been implemented in order to manage this whilst waiting for the new system to take over. | | Current | |

4.11. Gaining trader changes to switch meter reading - switch move (Clause 12 Schedule 11.3)

Code reference

Clause 12 Schedule 11.3

Code related audit information

The gaining trader may use the switch event meter reading supplied by the losing trader or may, at its own cost, obtain its own switch event meter reading. If the gaining trader elects to use this new switch event meter reading, the gaining trader must advise the losing trader of the switch event meter reading and the actual event date to which it refers as follows:

- *if the switch meter reading established by the gaining trader differs by less than 200 kWh from that provided by the losing trader, both traders must use the switch event meter reading provided by the gaining trader (clause 12(2)(a)); or*
- *if the switch event meter reading provided by the losing trader differs by 200 kWh or more from a value established by the gaining trader, the gaining trader may dispute the switch meter reading. In this case, the gaining trader, within 4 calendar months of the actual event date, must provide to the losing trader a changed validated meter reading or a permanent estimate*

supported by 2 validated meter readings and the losing trader must either (clause 12(2)(b) and clause 12(3)):

- *advise the gaining trader if it does not accept the switch event meter reading and the losing trader and the gaining trader must resolve the dispute in accordance with the disputes procedure in clause 15.29 (with all necessary amendments) (clause 12(3)(a)); or*
- *if the losing trader notifies its acceptance or does not provide any response, the losing trader must use the switch event meter reading supplied by the gaining trader. (clause 12(3)(b)).*

12(2A) If the losing trader trades electricity from a non-half hour meter, with a switch event meter reading that is not from an AMI certified meter flagged Y in the registry,

- *the gaining trader will trade electricity from a meter with a half hour submission type in the registry (clause 12(2A)(b));*
- *the gaining trader no later than five business days after receiving final information from the registry manager, may provide the losing trader with a switch event meter reading from that meter. The losing trader must use that switch event meter reading (clause 12(2B)).*

Audit observation

A combined sample of eight read change files from the event detail report was selected using the diverse sample methodology. The sample included both transfer and gaining trader read requests, files exchanged with different traders, and a mix of acceptances and rejections

Audit commentary

There were no issues found with the RR process. NextGen sent an RR for ICP 0000009230NT131 because the readings for the switch date were different by approx. 7,000 kWh but the losing trader rejected the RR. NextGen used the readings gained on the switch date and is therefore compliant. The losing trader is not compliant and the date of the last reading in the losing trader's CS file was for approx. one year earlier.

Audit outcome

Compliant

4.12. Gaining trader informs registry of switch request - gaining trader switch (Clause 14 Schedule 11.3)

Code reference

Clause 13 Schedule 11.3

Code related audit information

The gaining trader switch process applies when a trader has an arrangement with a customer or embedded generator to trade electricity through or assume responsibility for:

- *a half hour metering installation (that is not a category 1 or 2 metering installation) at an ICP with a submission type of half hour in the registry and an AMI flag of "N"; or*
- *a half hour metering installation at an ICP that has a submission type of half hour in the registry and an AMI flag of "N" and is traded by the losing trader as non-half hour; or*
- *a non half hour metering installation at an ICP at which the losing trader trades electricity through a half hour metering installation with an AMI flag of "N".*

If the uninvited direct sale agreement applies to an arrangement described above, the gaining trader must identify the period within which the customer or embedded generator may cancel the arrangement in accordance with section 36M of the Fair Trading Act 1986. The arrangement is deemed to come into effect on the day after the expiry of that period.

A gaining trader must advise the registry manager of the switch and expected event date no later than 3 business days after the arrangement comes into effect.

14(2) The gaining trader must include in its advice to the registry manager:

- a) a proposed event date; and*
- b) that the switch type is HH.*

14(3) The proposed event date must be a date that is after the date on which the gaining trader advises the registry manager, unless clause 14(4) applies.

14(4) The proposed event date is a date before the date on which the gaining trader advised the registry manager, if:

14(4)(a) – the proposed event date is in the same month as the date on which the gaining trader advised the registry manager; or

14(4)(b) – the proposed event date is no more than 90 days before the date on which the gaining trader advises the registry manager and this date is agreed between the losing and gaining traders.

Audit observation

NextGen has not conducted any HHR switches.

Audit commentary

NextGen has not conducted any HHR switches.

Audit outcome

Not applicable

4.13. Losing trader provision of information - gaining trader switch (Clause 15 Schedule 11.3)

Code reference

Clause 15 Schedule 11.3

Code related audit information

Within three business days after the losing trader is informed about the switch by the registry manager, the losing trader must:

15(a) - provide to the registry manager a valid switch response code as approved by the Authority; or

15(b) - provide a request for withdrawal of the switch in accordance with clause 17.

Audit observation

NextGen has not conducted any HHR switches.

Audit commentary

NextGen has not conducted any HHR switches.

Audit outcome

Not applicable

4.14. Gaining trader to advise the registry manager - gaining trader switch (Clause 16 Schedule 11.3)

Code reference

Clause 16 Schedule 11.3

Code related audit information

The gaining trader must complete the switch no later than three business days, after receiving the valid switch response code, by advising the registry manager of the event date.

If the ICP is being electrically disconnected, or if metering equipment is being removed, the gaining trader must either-

16(a)- give the losing trader or MEP for the ICP an opportunity to interrogate the metering installation immediately before the ICP is electrically disconnected or the metering equipment is removed; or

16(b)- carry out an interrogation and, no later than five business days after the metering installation is electrically disconnected or removed, advise the losing trader of the results and metering component numbers for each data channel in the metering installation.

Audit observation

NextGen has not conducted any HHR switches.

Audit commentary

NextGen has not conducted any HHR switches.

Audit outcome

Not applicable

4.15. Withdrawal of switch requests (Clauses 17 and 18 Schedule 11.3)

Code reference

Clauses 17 and 18 Schedule 11.3

Code related audit information

A losing trader or gaining trader may request that a switch request be withdrawn at any time until the expiry of two calendar months after the event date of the switch.

If a trader requests the withdrawal of a switch, the following provisions apply:

- *for each ICP, the trader withdrawing the switch request must provide the registry manager with (clause 18(c)):*
 - o *the participant identifier of the trader making the withdrawal request (clause 18(c)(i)); and*
 - o *the withdrawal advisory code published by the Authority. (clause 18(c)(ii))*
- *within 5 business days after receiving notice from the registry manager of a switch, the trader receiving the withdrawal must advise the registry manager that the switch withdrawal request is accepted or rejected. A switch withdrawal request must not become effective until accepted by the trader who received the withdrawal. (clause 18(d))*
- *on receipt of a rejection notice from the registry manager, in accordance with clause 18(d), a trader may re-submit the switch withdrawal request for an ICP in accordance with clause 18(c). All switch withdrawal requests must be resolved within 10 business days after the date of the initial switch withdrawal request. (clause 18(e))*

- *if the trader requests that a switch request be withdrawn, and the resolution of that switch withdrawal request results in the switch proceeding, within 2 business days after receiving notice from the registry manager in accordance with clause 22(b), the losing trader must comply with clauses 3,5,10 and 11 (whichever is appropriate) and the gaining trader must comply with clause 16 (clause 18(f)).*

Audit observation

The switch withdrawal process was examined. The content of a sample of five ICPs covering all withdrawal codes from the event detail report were checked using the typical sampling methodology. I checked the switch breach report to identify late files.

Audit commentary

All NW files contained the correct NW code.

The sample of rejected switch requests checked confirmed they had all been rejected for valid reasons and the reason codes were correct.

The switch breach report did not identify any late files.

Audit outcome

Compliant

4.16. Metering information (Clause 21 Schedule 11.3)

Code reference

Clause 21 Schedule 11.3

Code related audit information

For an interrogation or validated meter reading or permanent estimate carried out in accordance with Schedule 11.3:

21(a)- the trader who carries out the interrogation, switch event meter reading must ensure that the interrogation is as accurate as possible, or that the switch event meter reading is fair and reasonable.

21(b) and (c) - the cost of every interrogation or switch event meter reading carried out in accordance with clauses 5(b) or 11(b) or (c) must be met by the losing trader. The costs in every other case must be met by the gaining trader.

Audit observation

The meter reading process in relation to meter reads for switching purposes was examined. Examples to confirm this procedure have been examined as part of the sending of final information for switches and read requests made.

Audit commentary

All meter readings used in the switching process are validated meter readings or permanent estimates. This process is discussed further in earlier sections where some issues were recorded.

NextGen's policy regarding the management of meter reading expenses is compliant.

Audit outcome

Compliant

4.17. Switch saving protection (Clause 11.15AA to 11.15AB)

Code reference

Clause 11.15AA to 11.15AB

Code related audit information

A trader that buys electricity from the clearing manager may elect to have a switch saving protection by giving notice to the Authority in writing.

If a protected trader enters into an arrangement with a customer of another trader (the losing trader), or a trader enters into an arrangement with a customer of a protected trader, to commence trading electricity with the customer, the losing trader must not, by any means, initiate contact with the customer to attempt to persuade the customer to terminate the arrangement during the period from the receipt of the NT to the event date of the switch including by:

11.15AB(4)(a)- making a counter offer to the customer; or

11.15AB(4)(b)- offering an enticement to the customer.

Audit observation

The Electricity Registry switch save protected retailer list was examined to confirm that NextGen is a save protected retailer.

Winback processes were examined to determine whether they are compliant.

I checked the event detail report for all withdrawn switches from the audit period, to identify any withdrawn switches with a CX code applied prior to the switch completion date in relation to any switch save protected retailers.

Audit commentary

The check of the event detail report confirmed that two NW files were sent for CX during the period from sending the NT until the switch completion date. NextGen's records show that the customers at these two ICPs contacted NextGen and notified their decision not to switch. NextGen does not have a "winback" outbound process.

Audit outcome

Compliant

5. MAINTENANCE OF UNMETERED LOAD

5.1. Maintaining shared unmetered load (Clause 11.14)

Code reference

Clause 11.14

Code related audit information

The trader must adhere to the process for maintaining shared unmetered load as outlined in clause 11.14:

11.14(2) - The distributor must give written notice to the traders responsible for the ICPs across which the unmetered load is shared, of the ICP identifiers of the ICPs.

11.14(3) - A trader who receives such a notification from a distributor must give written notice to the distributor if it wishes to add or omit any ICP from the ICPs across which unmetered load is to be shared.

11.14(4) - A distributor who receives such a notification of changes from the trader under (3) must give written notice to the registry manager and each trader responsible for any of the ICPs across which the unmetered load is shared.

11.14(5) - If a distributor becomes aware of any change to the capacity of a shared unmetered load ICP or if a shared unmetered load ICP is decommissioned, it must give written notice to all traders affected by that change as soon as practicable after that change or decommissioning.

11.14(6) - Each trader who receives such a notification must, as soon as practicable after receiving the notification, adjust the unmetered load information for each ICP in the list for which it is responsible to ensure that the entire shared unmetered load is shared equally across each ICP.

11.14(7) - A trader must take responsibility for shared unmetered load assigned to an ICP for which the trader becomes responsible as a result of a switch in accordance with Part 11.

11.14(8) - A trader must not relinquish responsibility for shared unmetered load assigned to an ICP if there would then be no ICPs left across which that load could be shared.

11.14(9) - A trader can change the status of an ICP across which the unmetered load is shared to inactive status, as referred to in clause 19 of Schedule 11.1. In that case, the trader is not required to give written notice to the distributor of the change. The amount of electricity attributable to that ICP becomes UFE.

Audit observation

I checked the list file for shared unmetered load ICPs and found one example.

Audit commentary

ICP 0000043474NT14D switched to NextGen on 07/09/18. It has had shared unmetered load since 2006. On 09/11/18 NextGen removed the unmetered load fields with an effective date of 01/11/18. The “parent” ICP still has this ICP listed, therefore the unmetered load details will need to be reinstated and submission needs to occur with appropriate revisions.

Audit outcome

Non-compliant

| Non-compliance | Description | | |
|--|--|-----------------|------------------------|
| Audit Ref: 5.1 With: Clause 11.14 From: 01-Nov-18 To: 12-Dec-18 | Unmetered load details removed from the registry for ICP 0000043474NT14D. Potential impact: Low Actual impact: Low Audit history: None Controls: None Breach risk rating: 5 | | |
| Audit risk rating | Rationale for audit risk rating | | |
| Low | There are no controls in place to ensure unmetered load details are recorded correctly. The impact on settlement is minor; therefore, the audit risk rating is low. | | |
| Actions taken to resolve the issue | | Completion date | Remedial action status |
| Addressed in Section 3.7 | | | Identified |
| Preventative actions taken to ensure no further issues will occur | | Completion date | |
| Addressed in Section 3.7 | | | |

5.2. Unmetered threshold (Clause 10.14 (2)(b))

Code reference

Clause 10.14 (2)(b)

Code related audit information

The reconciliation participant must ensure that unmetered load does not exceed 3,000 kWh per annum, or 6,000 kWh per annum if the load is predictable and of a type approved and published by the Authority.

Audit observation

NextGen does not have any unmetered load over 3,000 kWh.

Audit commentary

NextGen does not have any unmetered load over 3,000 kWh.

Audit outcome

Non-compliant

5.3. Unmetered threshold exceeded (Clause 10.14 (5))

Code reference

Clause 10.14 (5)

Code related audit information

If the unmetered load limit is exceeded the retailer must:

- *within 20 business days, commence corrective measure to ensure it complies with Part 10*
- *within 20 business days of commencing the corrective measure, complete the corrective measures*
- *no later than 10 business days after it becomes aware of the limit having been exceeded, advise each participant who is or would be expected to be affected of:*
 - o *the date the limit was calculated or estimated to have been exceeded*
 - o *the details of the corrective measures that the MEP proposes to take or is taking to reduce the unmetered load.*

Audit observation

NextGen does not have any unmetered load over 3,000 kWh.

Audit commentary

NextGen does not have any unmetered load over 3,000 kWh.

Audit outcome

Not applicable

5.4. Distributed unmetered load (Clause 11 Schedule 15.3, Clause 15.37B)

Code reference

Clause 11 Schedule 15.3, Clause 15.37B

Code related audit information

An up-to-date database must be maintained for each type of distributed unmetered load for which the retailer is responsible. The information in the database must be maintained in a manner that the resulting submission information meets the accuracy requirements of clause 15.2.

A separate audit is required for distributed unmetered load data bases.

The database must satisfy the requirements of Schedule 15.5 with regard to the methodology for deriving submission information.

Audit observation

There are no distributed unmetered load ICPs.

Audit commentary

There are no distributed unmetered load ICPs.

Audit outcome

Not applicable

6. GATHERING RAW METER DATA

6.1. Electricity conveyed & notification by embedded generators (Clause 10.13, Clause 10.24 and 15.13)

Code reference

Clause 10.13, Clause 10.24 and 15.13

Code related audit information

A participant must use the quantity of electricity measured by a metering installation as the raw meter data for the quantity of electricity conveyed through the point of connection.

This does not apply if data is estimated or gifted in the case of embedded generation under clause 15.13.

A trader must, for each energised ICP that is not also an NSP, and for which it is recorded in the registry as being responsible, ensure that:

- *there is one or more metering installations*
- *all electricity conveyed is quantified in accordance with the Code*
- *it does not use subtraction to determine submission information for the purposes of Part 15.*

An embedded generator must give notification to the reconciliation manager for an embedded generating station, if the intention is that the embedded generator will not be receiving payment from the clearing manager or any other person through the point of connection to which the notification relates.

Audit observation

The registry list was examined to determine compliance. Processes for distributed generation were reviewed.

Audit commentary

All active ICPs have at least one meter installed.

NextGen's registry list file as at November 2018 showed 137 ICPs with generation listed by the Distributor. All ICPs had the correct profile and the generated kWh is correctly submitted.

NextGen does not intend to initiate meter bypass instructions to any MEP or contractor. If they request a remote reconnection in the future, the MEP is expected to either conduct this, or make necessary arrangements for reconnection without bypassing. No examples were identified during the audit.

Audit outcome

Compliant

6.2. Responsibility for metering at GIP (Clause 10.26 (6), (7) and (8))

Code reference

Clause 10.26 (6), (7) and (8)

Code related audit information

For each proposed metering installation or change to a metering installation that is a connection to the grid, the participant, must:

- *provide to the grid owner a copy of the metering installation design (before ordering the equipment)*
- *provide at least three months for the grid owner to review and comment on the design*

- *respond within three business days of receipt to any request from the grid owner for additional details or changes to the design*
- *ensure any reasonable changes from the grid owner are carried out.*

The participant responsible for the metering installation must:

- *advise the reconciliation manager of the certification expiry date not later than 10 business days after certification of the metering installation*
- *become the MEP or contract with a person to be the MEP*
- *advise the reconciliation manager of the MEP identifier no later than 20 days after entering into a contract or assuming responsibility to be the MEP.*

Audit observation

NextGen is not responsible for any grid metering.

Audit commentary

NextGen is not responsible for any grid metering.

Audit outcome

Not applicable

6.3. Certification of control devices (Clause 33 Schedule 10.7 and clause 2(2) Schedule 15.3)

Code reference

Clause 33 Schedule 10.7 and clause 2(2) Schedule 15.3

Code related audit information

The reconciliation participant must advise the metering equipment provider if a control device is used to control load or switch meter registers.

The reconciliation participant must ensure the control device is certified prior to using it for reconciliation purposes.

Audit observation

NextGen does not use any profiles where control device certification is required.

Audit commentary

NextGen does not use any profiles where control device certification is required.

Audit outcome

Not applicable

6.4. Reporting of defective metering installations (Clause 10.43(2) and (3))

Code reference

Clause 10.43(2) and (3)

Code related audit information

If a participant becomes aware of an event or circumstance that lead it to believe a metering installation could be inaccurate, defective, or not fit for purpose they must:

- *advise the MEP*
- *include in the advice all relevant details.*

Audit observation

Processes relating to defective metering were discussed and examples were requested.

Audit commentary

No faulty or bridged meters were identified by NextGen during the audit period. I specifically checked with AMS whether any faulty metering installations had been detected during the audit period. They confirmed that none were identified.

Audit outcome

Not applicable

6.5. Collection of information by certified reconciliation participant (Clause 2 Schedule 15.2)

Code reference

Clause 2 Schedule 15.2

Code related audit information

Only a certified reconciliation participant may collect raw meter data, unless only the MEP can interrogate the meter, or the MEP has an arrangement which prevents the reconciliation participant from electronically interrogating the meter:

2(2) - The reconciliation participant must collect raw meter data used to determine volume information from the services interface or the metering installation or from the MEP.

2(3) - The reconciliation participant must ensure the interrogation cycle is such that it does not exceed the maximum interrogation cycle on the registry.

2(4) - The reconciliation participant must interrogate the meter at least once every maximum interrogation cycle.

2(5) - When electronically interrogating the meter the participant must:

- a) ensure the system is to within +/- 5 seconds of NZST or NZDST*
- b) compare the meter time to the system time*
- c) determine the time error of the metering installation*
- d) if the error is less than the maximum permitted error, correct the meter's clock*
- e) if the time error is greater than the maximum permitted error then:*
 - i) correct the metering installation's clock*
 - ii) compare the metering installation's time with the system time*
 - iii) correct any affected raw meter data.*
- f) download the event log.*

2(6) – The interrogation systems must record:

- the time*
- the date*
- the extent of any change made to the meter clock.*

Audit observation

NextGen, their agents and MEPs are responsible for the collection of HHR and AMI data. Collection of data and clock synchronisation was reviewed as part of the AMS HHR data collection audit.

Audit commentary

All information used to determine volume information is collected from the services interface or the metering installation by NextGen, AMS or the MEP.

Compliance with this clause has been demonstrated by AMS as part of their agent audit. I conducted additional checks which confirmed there were no significant clock errors during the audit period for AMCI meters. One installation has a clock difference of 74 seconds which will be corrected once AMS can get access to the installation through the land line during business hours.

Audit outcome

Compliant

6.6. Derivation of meter readings (Clause 3(1), 3(2) and 5 Schedule 15.2)

Code reference

Clause 3(1), 3(2) and 5 Schedule 15.2

Code related audit information

All meter readings must in accordance with the participants certified processes and procedures and using its certified facilities be sourced directly from raw meter data and, if appropriate, be derived and calculated from financial records.

All validated meter readings must be derived from meter readings.

A meter reading provided by a consumer may be used as a validated meter reading only if another set of validated meter readings not provided by the consumer are used during the validation process.

During the manual interrogation of each NHH metering installation the reconciliation participant must:

- a) obtain the meter register*
- b) ensure seals are present and intact*
- c) check for phase failure (if supported by the meter)*
- d) check for signs of tampering and damage*
- e) check for electrically unsafe situations.*

If the relevant parts of the metering installation are visible and it is safe to do so.

Audit observation

The data collection process was examined.

Processes for customer and photo reads were reviewed.

Audit commentary

I conducted a walk-through of the data loading processes and I confirm that appropriate checks and controls are in place to ensure the correct records are loaded for the right day.

NHH meter reading is conducted by NextGen for all ICPs except one. The relevant points above are all checked to ensure there is no tampering, damage or unsafe situations. The reading for one ICP is provided by the consumer. It is recorded as an actual reading, but it should be recorded as an estimate because it is not validated against another set of readings. Photos are sent by the customer and these are checked by NextGen.

Audit outcome

Non-compliant

| Non-compliance | Description | | |
|--|--|-----------------|------------------------|
| Audit Ref: 6.6 With: Clause 3(1), 3(2) and 5 Schedule 15.2 From: 01-Apr-18 To: 14-Dec-18 | One consumer reading recorded as an actual. Potential impact: Low Actual impact: None Audit history: None Controls: Strong Breach risk rating: 1 | | |
| Audit risk rating | Rationale for audit risk rating | | |
| Low | The controls are recorded as strong because they mitigate risk. There is no impact on settlement because photos are sent and checked, therefore the audit risk rating is low. | | |
| Actions taken to resolve the issue | | Completion date | Remedial action status |
| This is addressed in our new system, where reading labels and identifiers are more precisely recorded, a shortfall in the current ETS system | | Mar 2019 Latest | Identified |
| Preventative actions taken to ensure no further issues will occur | | Completion date | |
| New system records will correct incorrect identifiers from the previous system | | Current | |

6.7. NHH meter reading application (Clause 6 Schedule 15.2)

Code reference

Clause 6 Schedule 15.2

Code related audit information

For NHH switch event meter reads, for the gaining trader the reading applies from 0000 hours on the day of the relevant event date and for the losing trader at 2400 hours at the end of the day before the relevant event date.

In all other cases, All NHH readings apply from 0000hrs on the day after the last meter interrogation up to and including 2400hrs on the day of the meter interrogation.

Audit observation

The process of the application of meter readings was examined.

Audit commentary

All AMI systems have a clock synchronisation function, which ensures correct timestamping. NextGen imports the midnight AMI midnight readings, which are applied as at 2400hrs.

Manual readings taken by NextGen are applied correctly.

Application of reads was reviewed as part of the historic estimate checks in **section 12.11** and found to be compliant. The content of CS files was examined in **sections 4.4, 4.5** and **4.11**. This check confirmed that switch event meter readings were not correctly applied for two ICPs. Readings from 24:00 on the switch date were provided when readings from 00:00 on the switch date (24:00 the day before) should be provided.

I checked the process for NHH to HHR meter changes in relation to this clause. There were no meter changes for the purpose of a profile change. There were several NHH to HHR profile changes for existing meters and this process is discussed further in **section 12.13**.

Audit outcome

Non-compliant

| Non-compliance | Description | | |
|--|--|-----------------|------------------------|
| Audit Ref: 6.7 With: Clause 6 Schedule 15.2 From: 01-Apr-18 To: 12-Dec-18 | Readings for 24:00 on the switch date provided as switch event meter readings for 00:00 on the switch date for two ICPs. Potential impact: Medium Actual impact: Low Audit history: Once Controls: Moderate Breach risk rating: 2 | | |
| Audit risk rating | Rationale for audit risk rating | | |
| Low | The controls are recorded as moderate because risk is mitigated most of the time. There is a minor impact on settlement and other participants, therefore the audit risk rating is low. | | |
| Actions taken to resolve the issue | | Completion date | Remedial action status |
| This has been addressed previously and is corrected in the new system | | Mar 2019 Latest | Identified |
| Preventative actions taken to ensure no further issues will occur | | Completion date | |
| Manual processes more tightly monitored in order to prevent further breaches prior to new system implementation. | | Current | |

6.8. Interrogate meters once (Clause 7(1) and (2) Schedule 15.2)

Code reference

Clause 7(1) and (2) Schedule 15.2

Code related audit information

Each reconciliation participant must ensure that a validated meter reading is obtained in respect of every meter register for every non half hour metered ICP for which the participant is responsible, at least once during the period of supply to the ICP by the reconciliation participant, and used to create volume information.

This may be a validated meter reading at the time the ICP is switched to, or from, the reconciliation participant.

If exceptional circumstances prevent a reconciliation participant from obtaining the validated meter reading, the reconciliation participant is not required to comply with clause 7(1).

Audit observation

The process to manage missed reads was examined by a walk-through of the trigger points leading to actions to get meter readings.

NextGen does not have a list of ICPs not read during the period of supply.

Audit commentary

Meter readings are obtained by AMI or by manual readings conducted in the first four working days of the month. I checked the event detail report and there were no ICPs switched out on estimates.

I recommend reporting is developed to monitor meter readings during the period of supply.

Audit outcome

Compliant

| Recommendation | Description | Audited party comment | Remedial action |
|-----------------------------------|--|---|-----------------|
| Clause 7(1) and (2) Schedule 15.2 | Develop reporting for ICPs not read during the period of supply. | We can address in the new system, by adding to our analytics list of required features. | Identified |

6.9. NHH meters interrogated annually (Clause 8(1) and (2) Schedule 15.2)

Code reference

Clause 8(1) and (2) Schedule 15.2

Code related audit information

At least once every 12 months, each reconciliation participant must obtain a validated meter reading for every meter register for non half hour metered ICPs, at which the reconciliation participant trades continuously for each 12 month period.

If exceptional circumstances prevent a reconciliation participant from obtaining the validated meter reading, the reconciliation participant is not required to comply with clause 8(1).

Audit observation

The meter reading process was examined. Monthly meter reading frequency reports for the months of April to October 2018 were provided.

Audit commentary

Reporting shows that 100% of reads are obtained each month.

Audit outcome

Compliant

6.10. NHH meters 90% read rate (Clause 9(1) and (2) Schedule 15.2)

Code reference

Clause 9(1) and (2) Schedule 15.2

Code related audit information

In relation to each NSP, each reconciliation participant must ensure that for each NHH ICP at which the reconciliation participant trades continuously for each four months, for which consumption information is required to be reported into the reconciliation process. A validated meter reading is obtained at least once every four months for 90% of the non-half hour meters.

A report is to be sent to the market administrator providing the percentage, in relation to each NSP, for which consumption information has been collected no later than 20 business days after the end of each month.

If exceptional circumstances prevent a reconciliation participant from obtaining the validated meter reading, the reconciliation participant is not required to comply with clause 9(1).

Audit observation

The meter reading process was examined. Monthly meter reading frequency reports for the months of April to October 2018 were provided.

Audit commentary

Reporting shows that 100% of reads are obtained each month.

Audit outcome

Compliant

6.11. NHH meter interrogation log (Clause 10 Schedule 15.2)

Code reference

Clause 10 Schedule 15.2

Code related audit information

The following information must be logged as the result of each interrogation of the NHH metering:

10(a) - the means to establish the identity of the individual meter reader

10(b) - the ICP identifier of the ICP, and the meter and register identification

10(c) - the method being used for the interrogation and the device ID of equipment being used for interrogation of the meter.

10(d) - the date and time of the meter interrogation.

Audit observation

NHH meter reading is conducted manually and the data is then entered into the database. The process was examined to confirm compliance.

Audit commentary

Only two people conduct meter reading and the records identify the person. The records contain the relevant information listed above.

Audit outcome

Compliant

6.12. HHR data collection (Clause 11(1) Schedule 15.2)

Code reference

Clause 11(1) Schedule 15.2

Code related audit information

Raw meter data from all electronically interrogated metering installations must be obtained via the services access interface.

This may be carried out by a portable device or remotely.

Audit observation

HHR data is collected by AMS as an agent. HHR interrogation data requirements were reviewed as part of their agent audit.

Audit commentary

Compliance with this clause has been demonstrated by AMS as part of their agent audit. Because the audit report is almost seven months old, I confirmed that there have been no changes to their processes since their last audit.

Audit outcome

Compliant

6.13. HHR interrogation data requirement (Clause 11(2) Schedule 15.2)

Code reference

Clause 11(2) Schedule 15.2

Code related audit information

The following information is collected during each interrogation:

11(2)(a) - the unique identifier of the data storage device

11(2)(b) - the time from the data storage device at the commencement of the download unless the time is within specification and the interrogation log automatically records the time of interrogation

11(2)(c) - the metering information, which represents the quantity of electricity conveyed at the point of connection, including the date and time stamp or index marker for each half hour period. This may be limited to the metering information accumulated since the last interrogation

11(2)(d) - the event log, which may be limited to the events information accumulated since the last interrogation

11(2)(e) - an interrogation log generated by the interrogation software to record details of all interrogations.

The interrogation log must be examined by the reconciliation participant responsible for collecting the data and appropriate action must be taken if problems are apparent or an automated software function flags exceptions.

Audit observation

HHR data is collected by AMS as an agent. HHR interrogation data requirements were reviewed as part of their agent audit.

Audit commentary

The AMS audit report confirms compliance with this clause. I checked all event log correspondence for the audit period to ensure it was supplied and there were no issues present.

Audit outcome

Compliant

6.14. HHR interrogation log requirements (Clause 11(3) Schedule 15.2)

Code reference

Clause 11(3) Schedule 15.2

Code related audit information

The interrogation log forms part of the interrogation audit trail and, as a minimum, must contain the following information:

11(3)(a)- the date of interrogation

11(3)(b)- the time of commencement of interrogation

11(3)(c)- the operator identification (if available)

11(3)(d)- the unique identifier of the meter or data storage device

11(3)(e)- the clock errors outside the range specified in Table 1 of clause 2

11(3)(f)- the method of interrogation

11(3)(g)- the identifier of the reading device used for interrogation (if applicable).

Audit observation

HHR data is collected by AMS as an agent. HHR interrogation log requirements were reviewed as part of their agent audit.

Audit commentary

The AMS audit report confirms compliance with this clause.

Audit outcome

Compliant

7. STORING RAW METER DATA

7.1. Trading period duration (Clause 13 Schedule 15.2)

Code reference

Clause 13 Schedule 15.2

Code related audit information

The trading period duration, normally 30 minutes, must be within $\pm 0.1\%$ (± 2 seconds).

Audit observation

HHR data is collected by AMS as an agent. Trading period duration was reviewed as part of their agent audit.

Audit commentary

Compliance with this clause has been demonstrated by AMS as part of their agent audit.

Audit outcome

Compliant

7.2. Archiving and storage of raw meter data (Clause 18 Schedule 15.2)

Code reference

Clause 18 Schedule 15.2

Code related audit information

A reconciliation participant who is responsible for interrogating a metering installation must archive all raw meter data and any changes to the raw meter data for at least 48 months, in accordance with clause 8(6) of Schedule 10.6.

Procedures must be in place to ensure that raw meter data cannot be accessed by unauthorised personnel.

Meter readings cannot be modified without an audit trail being created.

Audit observation

NextGen's agent (AMS) and MEPs retain a copy of the raw meter data, and their compliance with the archiving and storage requirements was reviewed as part of their audits.

NextGen's own audit trails were reviewed in **section 2.4**.

Raw meter data from the commencement of trading was reviewed to ensure that it is retained.

Audit commentary

When data reaches NextGen's systems, the level of security is robust, and data cannot be accessed by unauthorised personnel.

NextGen has retained reading data since they began trading and intends to retain reading data for at least 48 months.

Compliance with clause 18.3 of schedule 15.2 was examined, which requires that "... meter readings cannot be modified without an audit trail being created." Readings cannot be modified without an audit trail being created. Readings are entered into a data table and any adjustments or corrections have an appropriate audit trail. In Section 2.4, I have recorded that AMI data from NGCM is missing from NextGen's raw data directory, but the audit trail information from AMS shows this data was all provided

(placed into the SFTP directory) within two business days - the files were all removed from the SFTP folder but there was no audit trail demonstrated to indicate why the files are not in NextGen's raw data directory. Non-compliance is recorded in Section 2.4 regarding audit trails, but I've recorded compliance for Clause 18 of Schedule 15.2 because a copy of the raw meter data was available from AMS.

Audit outcome

Compliant

7.3. Non-metering information collected / archived (Clause 21(5) Schedule 15.2)

Code reference

Clause 21(5) Schedule 15.2

Code related audit information

All relevant non-metering information, such as external control equipment operation logs, used in the determination of profile data must be collected, and archived in accordance with clause 18.

Audit observation

Processes to record and archive non-metering information were discussed, and non-metering information was viewed to determine whether the archiving requirements were met.

Audit commentary

NextGen does not deal with any non-metering information.

Audit outcome

Not applicable

8. CREATING AND MANAGING (INCLUDING VALIDATING, ESTIMATING, STORING, CORRECTING AND ARCHIVING) VOLUME INFORMATION

8.1. Correction of NHH meter readings (Clause 19(1) Schedule 15.2)

Code reference

Clause 19(1) Schedule 15.2

Code related audit information

If errors are detected during validation of non-half hour meter readings, one of the following must be undertaken:

19(1)(a) - confirmation of the original meter reading by carrying out another meter reading

19(1)(b) - replacement of the original meter reading by another meter reading (even if the replacement meter reading may be at a different date)

19(1)(c) - if the original meter reading cannot be confirmed or replaced by a meter reading from another interrogation, then an estimated reading is substituted, and the estimated reading is marked as an estimate and it is subsequently replaced in accordance with clause 4(2).

Audit observation

Processes for the correction of NHH meter readings were reviewed by checking the process and system capability.

Audit commentary

There were no examples of corrections to actual NHH metering data available during the audit period.

NHH readings and associated photos are collected and stored in a compliant manner. In the unlikely event that a reading failed validation, another photo read would be obtained.

Audit outcome

Compliant

8.2. Correction of HHR metering information (Clause 19(2) Schedule 15.2)

Code reference

Clause 19(2) Schedule 15.2

Code related audit information

If errors are detected during validation of half hour metering information the correction must be as follows:

19(2)(a) - if a check meter or data storage device is installed at the metering installation, data from this source may be substituted

19(2)(b) - in the absence of any check meter or data storage device, data may be substituted from another period if the total of all substituted intervals matches the total consumption recorded on the meter, if available, and the pattern of consumption is considered materially similar to the period in error.

Audit observation

Processes for correction of HHR meter readings were reviewed.

Audit commentary

NextGen is often required to populate missing trading periods with estimated data. At the time the estimate is conducted it is not known whether this estimate will become permanent or whether the missing data will be supplied. Whilst there is only one process for HHR estimation, there are two relevant parts to the Code, **section 8.2**, correction and **section 9.4** estimates.

I've considered whether population of missing data is "estimation" or "correction". In **section 9.4** I've recorded that the estimation clause is specific and only allows estimation if the participant *"...is unable to interrogate an electronically interrogated metering installation before the deadline for providing submission information..."*

In many cases when data is "missing", it has been obtained through interrogation by the MEP, therefore the "estimated" data is actually considered a correction not an estimation. At the time "estimation" is conducted, NextGen does not know whether interrogation was successful or not for the individual days, but they are likely to have a daily file for one of the first four working days and this file will include register reads (midnight reads).

Whilst this is a departure from previous interpretations of these clauses, it will lead to a more accurate outcome and will ensure compliance with clause 15.2, which requires information to be complete and accurate.

I specifically checked the data for October 2018, where 15 of 31 days of raw data were not present in NextGen's raw data directory. ETS is designed to automatically estimate the missing data, but this functionality did not work for October 2018, resulting in under submission of 112,000 kWh. Data was available for the last day of October and the days in early November 2018, therefore I have considered the data should have been "corrected" and not estimated.

The correction requirements of the Code provide for a much more accurate result because if register reads are available, they must be used to ensure the total kWh is correct.

Using October 2018 as an example, the following non-compliance exist for the correction process. These non-compliances also exist for months where "estimates" are still present and may become permanent.

1. Substitution was not conducted for October 2018.
2. The substituted intervals do not match the known total consumption based on register reads.
3. There is no journal available detailing:
 - a. the date of the correction or alteration; and
 - b. the time of the correction or alteration; and
 - c. the operator identifier for the person within the **reconciliation participant** who made the correction or alteration; and
 - d. the **half hour meter reading** data corrected or altered, and the total difference in volume of such corrected or altered data; and
 - e. the technique used to arrive at the corrected data; and
 - f. the reason for the correction or alteration.

As recorded in the previous audit report, if data is missing for one or more trading periods, substitution occurs for the entire day (48 trading periods) rather than just to populate the missing trading periods. The functionality of ETS does not enable substitution and identification of substituted values at a trading period level. This does not achieve compliance with several clauses, as follows:

Clause 4(1) of Schedule 15.2 states that *"only volume information created using validated meter readings, or if such values are unavailable, permanent estimates has permanence within the reconciliation process (unless subsequently found to be in error)."* [Because validated meter readings are available for the trading periods in question; they must be used to create the volume information.](#)

Clause 19(2) of Schedule 15.2 states that:

(2) If errors are detected during the validation of half-hour meter readings, the meter readings must be corrected as follows:

(a) if a check meter or data storage device is installed at the metering installation, data from the check meter or data storage device may be substituted:

(b) in the absence of any check meter or data storage device, data may be substituted from another period if the total of all substituted intervals matches the total consumption recorded on a meter, if available, and the pattern of consumption is considered to be materially similar to the period in error.

This requires that the meter readings that fail validation must be corrected. It does not allow meter readings that do not fail validation to be corrected.

Clause 3(3) of Schedule 15.2 states that “An estimated reading and a permanent estimate must be clearly identified as an estimate at source and in an exchange of metering data or volume information between participants ...” This requires the identification of estimates to be at a trading period level not at the daily level.

The other issue is that ETS doesn’t differentiate between “missing data” and “power outages”. ETS estimates values for periods where there are outages. The event files contain outage information, and this should be taken into account.

Audit outcome

Non-compliant

| Non-compliance | Description |
|--|---|
| <p>Audit Ref: 8.2</p> <p>With: Clause 19(2)</p> <p>Schedule 15.2</p> <p>From: 01-Apr-18</p> <p>To: 13-Dec-18</p> | <p>Correction not applied for October 2018 where data was missing.</p> <p>Estimation was conducted instead of correction.</p> <p>No journal is available for corrections.</p> <p>Correction process for HHR data includes substitution of “actual” data with estimated data.</p> <p>Outage periods populated with consumption data.</p> <p>Potential impact: High</p> <p>Actual impact: High</p> <p>Audit history: Twice</p> <p>Controls: Weak</p> <p>Breach risk rating: 9</p> |
| Audit risk rating | Rationale for audit risk rating |
| High | <p>The controls are recorded as weak. The correction process does not use the total consumption where this is available. There is no journal for corrections. October missing data was not substituted. There are no controls to prevent substitution of actual data with estimated data.</p> <p>The impact on settlement is major due to October 2018 data not being substituted. The audit risk rating is high.</p> |
| Actions taken to resolve the issue | |
| Completion date | Remedial action status |

| | | |
|---|------------------------|---------------|
| Since the Audit, I have discovered where revision archive can be observed, as well as a journal of corrections of sort does exist in ETS and therefore using the data from ETS in order to record appropriate revisions to provide corrections with our new system. This changes significantly the seriousness, as we can make these corrections and apply revisions appropriately. | Latest Mar 2019 | Investigating |
| Preventative actions taken to ensure no further issues will occur | Completion date | |
| This is known to be quite serious, and hundreds and hundreds of hours has been applied to making corrections in the ETS system and identifying and supplying missing data as much as possible. Whilst the audit has identified the month of October as a serious breach, this can and will be washed up appropriately and with accurate data acquisition and corrected estimation algorithms in the new system. | Current | |

8.3. Error and loss compensation arrangements (Clause 19(3) Schedule 15.2)

Code reference

Clause 19(3) Schedule 15.2

Code related audit information

If error compensation and loss compensation are carried out as part of the process of determining accurate data, the compensation process must be documented and must comply with audit trail requirements.

Audit observation

Error and loss compensation arrangements were discussed.

Audit commentary

NextGen confirmed there are currently no error or loss compensation arrangements in place.

Audit outcome

Compliant

8.4. Correction of HHR and NHH raw meter data (Clause 22(1) and (2) Schedule 15.2)

Code reference

Clause 22(1) and (2) Schedule 15.2

Code related audit information

In correcting a meter reading in accordance with clause 19, the raw meter data must not be overwritten. If the raw meter data and the meter readings are the same, an automatic secure backup of the affected data must be made and archived by the processing or data correction application.

If data is corrected or altered, a journal must be generated and archived with the raw meter data file. The journal must contain the following:

22(2)(a) - the date of the correction or alteration

22(2)(b) - the time of the correction or alteration

22(2)(c) - the operator identifier of the reconciliation participant

22(2)(d) - the half-hour metering data or the non-half hour metering data corrected or altered, and the total difference in volume of such corrected or altered data

22(2)(e) - the technique used to arrive at the corrected data

22(2)(f) - the reason for the correction or alteration.

Audit observation

Corrections are discussed in **sections 8.1** and **8.2**. Audit trails are discussed in **section 2.4**.

Raw meter data retention for MEPs was reviewed as part of their MEP audits.

Audit commentary

The raw meter data files are not edited, and they could be retrieved from the MEPs if required.

Audit outcome

Compliant

9. ESTIMATING AND VALIDATING VOLUME INFORMATION

9.1. Identification of readings (Clause 3(3) Schedule 15.2)

Code reference

Clause 3(3) Schedule 15.2

Code related audit information

All estimated readings and permanent estimates must be clearly identified as an estimate at source and in any exchange of metering data or volume information between participants.

Audit observation

Provision of estimated reads to other participants during switching was reviewed in **sections 4.3, 4.4, 4.10 and 4.11**.

Correct identification of estimated reads and review of the estimation process was completed in **section 8.1**.

Audit commentary

As mentioned in **section 8.2**, estimated or corrected HHR data is identified at a daily level not at an interval level, which does not achieve compliance with this clause.

Audit outcome

Non-compliant

| Non-compliance | Description | | |
|--|---|-----------------|------------------------|
| Audit Ref: 9.1 With: Clause 3(3) Schedule 15.2 From: 01-Apr-18 To: 13-Dec-18 | HHR estimates identified at a daily level rather than an interval level. Potential impact: Low Actual impact: Low Audit history: Once Controls: Weak Breach risk rating: 3 | | |
| Audit risk rating | Rationale for audit risk rating | | |
| Low | Estimated data is identified but not at a trading period level, therefore the controls are recorded as weak. The impact on settlement is minor due to the small number of ICPs; therefore, the audit risk rating is low. | | |
| Actions taken to resolve the issue | | Completion date | Remedial action status |
| This is corrected in the new system | | Mar 2019 Latest | Investigating |
| Preventative actions taken to ensure no further issues will occur | | Completion date | |
| There is the ability to identify in raw data where Tp gaps are and then estimated, we can use these identifications in our new system to provide these corrections | | Current | |

9.2. Derivation of volume information (Clause 3(4) Schedule 15.2)

Code reference

Clause 3(4) Schedule 15.2

Code related audit information

Volume information must be directly derived, in accordance with Schedule 15.2, from:

3(4)(a) - validated meter readings

3(4)(b) - estimated readings

3(4)(c) - permanent estimates.

Audit observation

A sample of submission data was reviewed in **section 12**, to confirm that volume was based on readings as required.

Audit commentary

Volume information is directly derived from validated meter readings, estimated readings, or permanent estimates.

Audit outcome

Compliant

9.3. Meter data used to derive volume information (Clause 3(5) Schedule 15.2)

Code reference

Clause 3(5) Schedule 15.2

Code related audit information

All meter data that is used for derive volume information must not be rounded or truncated from the stored data from the metering installation.

Audit observation

A sample of submission data was reviewed in **section 12**, to confirm that volumes were based on readings as required.

Audit commentary

Data provided by the MEPs and agents is not rounded or truncated. Compliance is confirmed.

Audit outcome

Compliant

9.4. Half hour estimates (Clause 15 Schedule 15.2)

Code reference

Clause 15 Schedule 15.2

Code related audit information

If a reconciliation participant is unable to interrogate an electronically interrogated metering installation before the deadline for providing submission information, the submission to the reconciliation manager must be the reconciliation participant's best estimate of the quantity of electricity that was purchased or sold in each trading period during any applicable consumption period for that metering installation.

The reconciliation participant must use reasonable endeavours to ensure that estimated submission information is within the percentage specified by the Authority.

Audit observation

The HHR data estimate processes were examined along with five examples from ETS.

Audit commentary

The estimation methodology was sound and was conducted in accordance with the documented process. The estimation process is based on data from ICPs with the same price category; therefore, the pattern of consumption is materially similar. NextGen uses reasonable endeavours to ensure the estimated consumption is within 10%.

This clause is specific and only allows estimation if the participant “...is unable to interrogate an electronically interrogated metering installation before the deadline for providing submission information...”

In many cases when data is “missing”, it has been obtained through interrogation by the MEP, therefore the “estimated” data is considered a correction not an estimation. At the time “estimation” is conducted, NextGen does not know whether interrogation was successful or not for the individual days, but they are likely to have a daily file for one of the first four working days and this file will include register reads (midnight reads).

Whilst this is a departure from previous interpretations of these clauses, it will lead to a more accurate outcome and will ensure compliance with clause 15.2, which requires information to be complete and accurate.

I specifically checked the data for October 2018, where 15 of 31 days of raw data were not present in NextGen’s raw data directory. ETS is designed to automatically estimate the missing data, but this functionality did not work for October 2018, resulting in under submission of 112,000 kWh. Data was available for the last day of October and the days in early November 2018, therefore I have considered non-compliance exists with the correction clauses in **section 8.2** and not the estimation clauses in this section.

Audit outcome

Compliant

9.5. NHH metering information data validation (Clause 16 Schedule 15.2)

Code reference

Clause 16 Schedule 15.2

Code related audit information

Each validity check of non-half hour meter readings and estimated readings must include the following:

16(2)(a) - confirmation that the meter reading or estimated reading relates to the correct ICP, meter, and register

16(2)(b) - checks for invalid dates and times

16(2)(c) - confirmation that the meter reading or estimated reading lies within an acceptable range compared with the expected pattern, previous pattern, or trend

16(2)(d) - confirmation that there is no obvious corruption of the data, including unexpected zero values.

Audit observation

I conducted a walkthrough of the NHH data validation process.

Audit commentary

NextGen has the following checks in place:

- consumption is within expected bands;
- zero consumption;
- negative consumption; and
- missing meter readings.

Any exceptions are addressed, and action is taken depending on the type of exception. The process is conducted manually and one example of an incorrect reading (resulting in negative consumption) was identified during the audit that wasn't picked up during validation. The process is compliant.

Meter readings are manually entered, and part of the process is to ensure the correct ICP is selected.

Audit outcome

Compliant

9.6. Electronic meter readings and estimated readings (Clause 17 Schedule 15.2)

Code reference

Clause 17 Schedule 15.2

Code related audit information

Each validity check of electronically interrogated meter readings and estimate readings must be at a frequency that will allow a further interrogation of the data storage device before the data is overwritten within the data storage device and before this data can be used for any purpose under the Code.

Each validity check of a meter reading obtained by electronic interrogation or an estimated reading must include:

17(4)(a) - checks for missing data

17(4)(b) - checks for invalid dates and times

17(4)(c) - checks of unexpected 0 values

17(4)(d) - comparison with expected or previous flow patterns

17(4)(e) - comparisons of meter readings with data on any data storage device registers that are available

17(4)(f) - a review of meter and data storage device event list. Any event that could have affected the integrity of metering data must be investigated.

Audit observation

I checked the validation steps by conducting a walk-through of the process. I observed the AMI event logs where they were available.

Audit commentary

The NHH validation checks are also in place for electronically interrogated meters, as follows:

- consumption is within expected bands
- zero consumption
- negative consumption
- missing meter readings.

AMI event information is provided by AMS, SMCO and FCLM. Event logs are not sent by ARC Innovations. Some MEPs send associated notifications where they consider the matter needs immediate attention, for example phase failure or reverse power. No examples were identified during the audit. ARC innovations do not send event logs but their most recent MEP audit records compliance and records that if any relevant events are identified they are sent to retailers.

I specifically checked all event related correspondence from AMS and EDMI to confirm no issues were present.

As mentioned in **section 8.2**, the power down and power up events are not being used to exclude these periods from the substitution process. This was confirmed by checking a sample day where an outage notification had been made.

Audit outcome

Non-compliant

| Non-compliance | Description | | |
|--|--|-----------------|------------------------|
| Audit Ref: 9.6 With: Clause 17 Schedule 15.2 From: 01-Apr-18 To: 13-Dec-18 | Power down and power up events not being considered during data substitution processes. Potential impact: Medium Actual impact: Low Audit history: None Controls: Moderate Breach risk rating: 2 | | |
| Audit risk rating | Rationale for audit risk rating | | |
| Low | The controls are recorded as moderate for event management in general because they mitigate risk most of the time but there is room for improvement. The impact on settlement is minor because over submission will occur; therefore, the audit risk rating is low. | | |
| Actions taken to resolve the issue | | Completion date | Remedial action status |
| This is addressed in the New system however it is unclear if AMS data identifies all these power outages as verified null or missing data. | | Mar 2019 Latest | Investigating |
| Preventative actions taken to ensure no further issues will occur | | Completion date | |
| We currently do not have means to address this in our current ETS system, | | Current | |

10. PROVISION OF METERING INFORMATION TO THE PRICING MANAGER IN ACCORDANCE WITH SUBPART 4 OF PART 13 (CLAUSE 15.38(1)(F))

10.1. Generators to provide HHR metering information (Clause 13.136)

Code reference

Clause 13.136

Code related audit information

The generator (and/or embedded generator) must provide to the pricing manager and the grid owner connected to the local network in which the embedded generator is located, half hour metering information in accordance with clause 13.138 in relation to generating plant that is subject to a dispatch instruction:

- *that injects electricity directly into a local network; or*
- *if the meter configuration is such that the electricity flows into a local network without first passing through a grid injection point or grid exit point metering installation.*

Audit observation

NextGen does not have responsibilities for the provision of information to the grid owner.

Audit Commentary

NextGen does not have responsibilities for the provision of information to the grid owner.

Audit outcome

Not applicable

10.2. Unoffered & intermittent generation provision of metering information (Clause 13.137)

Code reference

Clause 13.137

Code related audit information

Each generator must provide the pricing manager and the relevant grid owner half-hour metering information for:

- *any unoffered generation from a generating station with a point of connection to the grid 13.137(1)(a)*
- *any electricity supplied from an intermittent generating station with a point of connection to the grid. 13.137(1)(b)*

The generator must provide the pricing manager and the relevant grid owner with the half-hour metering information required under this clause in accordance with the requirements of Part 15 for the collection of that generator's volume information (clause 13.137(2)).

If such half-hour metering information is not available, the generator must provide the pricing manager and the relevant grid owner a reasonable estimate of such data (clause 13.137(3)).

Audit observation

NextGen does not have responsibilities for the provision of information to the grid owner.

Audit Commentary

NextGen does not have responsibilities for the provision of information to the grid owner.

Audit outcome

Not applicable

10.3. Loss adjustment of HHR metering information (Clause 13.138)

Code reference

Clause 13.138

Code related audit information

The generator must provide the information required by clauses 13.136 and 13.137,

13.138(1)(a)- adjusted for losses (if any) relative to the grid injection point or, for embedded generators the grid exit point, at which it offered the electricity

13.138(1)(b)- in the manner and form that the pricing manager stipulates

13.138(1)(c)- by 0500 hours on a trading day for each trading period of the previous trading day.

The generator must provide the half-hour metering information required under this clause in accordance with the requirements of Part 15 for the collection of the generator's volume information.

Audit observation

NextGen does not have responsibilities for the provision of information to the grid owner.

Audit Commentary

NextGen does not have responsibilities for the provision of information to the grid owner.

Audit outcome

Not applicable

10.4. Notification of the provision of HHR metering information (Clause 13.140)

Code reference

Clause 13.140

Code related audit information

If the generator provides half-hourly metering information to the pricing manager or a grid owner under clauses 13.136 to 13.138, or 13.138A, it must also, by 0500 hours of that day, advise the relevant grid owner.

Audit observation

NextGen does not have responsibilities for the provision of information to the grid owner.

Audit commentary

NextGen does not have responsibilities for the provision of information to the grid owner.

Audit outcome

Not applicable

11. PROVISION OF SUBMISSION INFORMATION FOR RECONCILIATION

11.1. Buying and selling notifications (Clause 15.3)

Code reference

Clause 15.3

Code related audit information

Unless an embedded generator has given a notification in respect of the point of connection under clause 15.3, a trader must notify the reconciliation manager if it is to commence or cease trading electricity at a point of connection using a profile with a profile code other than HHR, RPS, UML, EG1, or PV1 at least five business days before commencing or ceasing trader.

The notification must comply with any procedures or requirements specified by the reconciliation manager.

Audit observation

A registry list was reviewed for the audit period to confirm which profiles were used.

Audit commentary

As NextGen is only using the RPS, PV1 and HHR profiles, trading notifications were not required.

Audit outcome

Compliant

11.2. Calculation of ICP days (Clause 15.6)

Code reference

Clause 15.6

Code related audit information

Each retailer and direct purchaser (excluding direct consumers) must deliver a report to the reconciliation manager detailing the number of ICP days for each NSP for each submission file of submission information in respect of:

15.6(1)(a) - submission information for the immediately preceding consumption period, by 1600 hours on the 4th business day of each reconciliation period

15.6(1)(b) - revised submission information provided in accordance with clause 15.4(2), by 1600 hours on the 13th business day of each reconciliation period.

The ICP days information must be calculated using the data contained in the retailer or direct purchaser's reconciliation system when it aggregates volume information for ICPs into submission information.

Audit observation

The process for the calculation of ICP days was examined by manually calculating the ICP days for all ICPs at KEO1101 and MCH0111 for November 2018.

I reviewed variances for five months of GR100 reports and investigated any large discrepancies.

Audit commentary

Breach information provided by the Electricity Authority did not identify any late ICP days submissions.

The process for the calculation of ICP days was examined by manually calculating the ICP days for all ICPs at KEO1101 and MCH0111 for November 2018. The ICP days file contained the correct figures.

The following table shows the NHH ICP days difference between NextGen files and the RM return file (GR100) for a selection of revisions. Negative percentage figures indicate that the NextGen ICP days are higher than those on the registry.

| Month | Ri | R1 | R3 | R7 | R14 |
|--------|--------|--------|--------|--------|-----|
| Jan-18 | - | - | 0.92% | 0.92% | - |
| Feb-18 | - | - | -0.26% | -0.26% | - |
| Mar-18 | -0.28% | -0.18% | -0.26% | -0.26% | - |
| Apr-18 | -0.08% | 0.39% | 0.41% | - | - |
| May-18 | -0.15% | -0.16% | -0.16% | | |
| Jun-18 | -0.19% | -0.25% | -0.25% | | |
| Jul-18 | 0.18% | 0.43% | 0.43% | | |
| Aug-18 | 0.00% | 0.01% | - | | |
| Sep-18 | -0.03% | 0.15% | - | | |

The HHR ICPMISS reports were also checked and the only issues found were where backdated events had occurred. The calculations were correct.

Audit outcome

Compliant

11.3. Electricity supplied information provision to the reconciliation manager (Clause 15.7)

Code reference

Clause 15.7

Code related audit information

A retailer must deliver to the reconciliation manager its total monthly quantity of electricity supplied for each NSP, aggregated by invoice month, for which it has provided submission information to the reconciliation manager, including revised submission information for that period as non-loss adjusted values in respect of:

15.7(a) - submission information for the immediately preceding consumption period, by 1600 hours on the 4th business day of each reconciliation period

15.7(b) - revised submission information provided in accordance with clause 15.4(2), by 1600 hours on the 13th business day of each reconciliation period.

Audit observation

GR130 reports for January 2018 to November 2018 were reviewed to confirm whether the relationship between billed and submitted data appears reasonable.

Alleged breaches during the audit period were reviewed to determine whether any reconciliation submissions were late.

Audit commentary

No breaches had been recorded for late provision of submission information.

I checked the difference between submission and electricity supplied information and the results are shown to be the same. NextGen invoices for complete calendar months using the same kWh figures as those used for submission, which explains why the monthly figures are the same.

This clause requires that electricity supplied information is aggregated by “invoice month” and in the guideline provided by the Authority this is described as the month the invoice is produced, which is normally the month after the “consumption month”. NextGen’s electricity supplied file includes information for the “consumption month”. “Invoice month” is not a defined term and guidelines are not part of the Code, therefore I have recorded compliance. If a billing revision is conducted the electricity supplied totals will be included in the relevant “consumption month”, which means the electricity supplied and submission totals will always align. Electricity supplied files are used as a comparison against submission files to ensure there are no discrepancies. Despite these files being prepared in a manner different to that used by most other retailers, the required outcome is met in a compliant manner. I recommend NextGen changes their process to provide information from the invoice month and not the consumption month.

| Recommendation | Description | Audited party comment | Remedial action |
|-----------------------|--|--|-----------------|
| Regarding Clause 15.7 | Include electricity supplied information from invoice month and not consumption month. | As discussed with both the auditor as well as the NZX previously in order to understand the compliance required, NGE is making an effort to include this recommendation in the new system. | Identified |

A problem occurred in October 2018, where the “estimation” routine did not successfully run. This led to the billing table containing approx. 112,000 kWh less than it should. This table was used to create the electricity supplied file. Shortly after “Day 4” the issue with estimations was resolved and invoices were prepared based on data from the billing table which included estimates. The electricity supplied file was inaccurate for October 2018 in comparison to actual invoices. Revisions have not been conducted.

I checked the source of electricity supplied information. The NHH and HHR data sets are used to create a “billing table” which is used as the source data for customer invoicing and for Distributor billing. I had previously concluded that this met the requirement to source data from “financial records”; however, the issue in October shows that the electricity supplied file does not come from financial records because it is run prior to invoicing.

Audit outcome

Non-compliant

| Non-compliance | Description | | |
|--|---|-----------------|------------------------|
| Audit Ref: 11.3 With: Clause 15.7 From: 01-Apr-18 To: 13-Dec-18 | Electricity supplied files inaccurate for October 2018. Electricity supplied files not sourced from financial records. Potential impact: None Actual impact: None Audit history: Twice Controls: Weak Breach risk rating: 3 | | |
| Audit risk rating | Rationale for audit risk rating | | |
| Low | The controls are recorded as weak because the issue in October 2018 confirmed that electricity supplied files are not derived from financial records. Also, there is no process for revising incorrect files. This data is used as an indicator and there is no impact on settlement; therefore, the audit risk rating is low. | | |
| Actions taken to resolve the issue | | Completion date | Remedial action status |
| Our new system will address this non-compliance automatically | | Mar 2019 Latest | Investigating |
| Preventative actions taken to ensure no further issues will occur | | Completion date | |
| Electricity Supplied files have been submitted correctly, and the month label in the file is corrected manually to comply. | | | |

11.4. HHR aggregates information provision to the reconciliation manager (Clause 15.8)

Code reference

Clause 15.8

Code related audit information

A retailer or direct purchaser (excluding direct consumers) must deliver to the reconciliation manager its total monthly quantity of electricity supplied for each half hourly metered ICP for which it has provided submission information to the reconciliation manager, including:

15.8(a) - submission information for the immediately preceding consumption period, by 1600 hours on the 4th business day of each reconciliation period

15.8(b) - revised submission information provided in accordance with clause 15.4(2), by 1600 hours on the 13th business day of each reconciliation period.

Audit observation

I checked variances between revisions for the aggregates file and I checked the ICPMISS report to identify any potential errors. All variances were evaluated. I checked HHR data in source files against totals in the aggregates file to confirm the process for file creation.

Audit commentary

No breaches had been recorded for late provision of submission information.

The HHR aggregates file is generated out of the “billing table”, so compliance is achieved with the requirement to provide “electricity supplied” information. Normally electricity supplied information would be of little use to the RM but NextGen’s electricity supplied and submission totals align so the information will be useful. NextGen may need to change the source of this file when the Code is changed to require submission information to be used as the source, but the totals are expected to be the same.

These files were compared to HHR vols files and to source data which confirmed compliance for all months apart from October 2018. As mentioned in earlier sections, a problem occurred in October 2018, where the “estimation” routine did not successfully run. This led to the billing table containing approx. 112,000 kWh less than it should. This table was used to create the HHR aggregates file. Shortly after “Day 4” the issue with estimations was resolved and invoices were prepared based on data from the billing table which included estimates. The HHR aggregates file was inaccurate for October 2018. Revisions have not been conducted.

I checked the audit trail for the provision of AMS’s raw meter data and it shows that all files for October were placed in the SFTP directory within two business days of the consumption month; therefore, this data had been collected from meters through successful interrogation and should have been used.

Audit outcome

Non-compliant

| Non-compliance | Description | | |
|--|--|-----------------|------------------------|
| Audit Ref: 11.4 With: Clause 15.8 From: 01-Oct-18 To: 13-Dec-18 | Aggregates file inaccurate for October 2018. Potential impact: None Actual impact: None Audit history: None Controls: Weak Breach risk rating: 3 | | |
| Audit risk rating | Rationale for audit risk rating | | |
| Low | The controls are recorded as weak for two reasons; there is no revision process in place to correct inaccurate files and the audit trail for the AMI data shows it was provided in time for use in Day 4 submissions. This information is only used as an indicator; therefore, the impact is considered low. | | |
| Actions taken to resolve the issue | | Completion date | Remedial action status |

| | | |
|---|------------------------|----------|
| <p>There is a revision process in place, however it was emphasized to the auditor, we are reluctant to submit revisions until we have been able to confirm accurate estimations in revision. We believe our next revision due is for November 2017 and will be submitted with the other revisions due including Oct 2018, In Jan 2019.</p> <p>Receipt of all files from AMS, does not mean all data has come through. AMS seems to have consistent data issues, which may mean files come through, but that does not mean we have data for all relevant ICPs. However, the new system will address flagging missing data daily and identifying data gaps. These new analytics will prevent future data losses as relevant to submission inaccuracies.</p> | Mar 2019 Latest | Disputed |
| Preventative actions taken to ensure no further issues will occur | Completion date | |
| Above | Current | |

12. SUBMISSION COMPUTATION

12.1. Daylight saving adjustment (Clause 15.36)

Code reference

Clause 15.36

Code related audit information

The reconciliation participant must provide submission information to the reconciliation manager that is adjusted for NZDT using one of the techniques set out in clause 15.36(3) specified by the Authority.

Audit observation

The daylight-saving process was observed and HHR vols files for the change to and from NZDT were examined.

Audit commentary

The process is operating as intended and compliance is confirmed.

Audit outcome

Compliant

12.2. Creation of submission information (Clause 15.4)

Code reference

Clause 15.4

Code related audit information

By 1600 hours on the 4th business day of each reconciliation period, the reconciliation participant must deliver submission information to the reconciliation manager for all NSPs for which the reconciliation participant is recorded in the registry as having traded electricity during the consumption period immediately before that reconciliation period (in accordance with Schedule 15.3).

By 1600 hours on the 13th business day of each reconciliation period, the reconciliation participant must deliver submission information to the reconciliation manager for all points of connection for which the reconciliation participant is recorded in the registry as having traded electricity during any consumption period being reconciled in accordance with clauses 15.27 and 15.28, and in respect of which it has obtained revised submission information (in accordance with Schedule 15.3).

Audit observation

I checked the ICPMISS reports for the audit period to confirm the completeness of HHR files. I checked the validation processes for NHH submissions and I checked that all ICPs were included.

A list of breaches was obtained from the Electricity Authority. There was one breach allegation for late provision of submission information. This breach was closed early.

Audit commentary

I checked the aggregation of the NHH vols file for November 2018 and confirm it contains all ICPs. I also checked the ICPMISS reporting to confirm submission was correct for all HHR ICPs. The vols file matches the aggregates file.

The second part of this clause requires revision information to be provided to the RM. NextGen does not have a revision process and therefore compliance is not achieved. The lack of a revision process has meant that the 112,000 kWh under submission for October 2018 was not revised by Day 13. It also means

other months, where more accurate information is available, have not been revised. There are now approx. 12 months where revisions will not occur because they are outside the 14-month window.

Audit outcome

Non-compliant

| Non-compliance | Description | | |
|---|---|-----------------|------------------------|
| Audit Ref: 12.2 With: Clause 15.4 From: 01-Jan-17 To: 13-Dec-18 | Revision process does not exist. Potential impact: High Actual impact: High Audit history: None Controls: Weak Breach risk rating: 9 | | |
| Audit risk rating | Rationale for audit risk rating | | |
| High | The controls are recorded as weak because they ensure the timeliness of Day 4 files and that all ICPs are included, but there is no revision process in place. The impact on settlement is high because incorrect submissions are not revised. | | |
| Actions taken to resolve the issue | | Completion date | Remedial action status |
| We do have a revision process in place, this was likely a miscommunication with the auditor and as mentioned previously we have been reluctant to use it due to the ETS estimation process. Our new system will repair this permanently. October revision will likely be submitted In Jan for 3-month revision, and again with the new system, as estimations are corrected. This October submission is the first time we have had a major data gap, and estimations failed to cover. Therefore, even with the prior issues with ETS, our submissions would have never been significantly misaligned with actual numbers due to a very small number of ICPs being estimated. Our new system will correct this entirely, as we will not have processes that fail to complete due to some anomaly in the system like ETS does. | | Mar 2019 Latest | Disputed |
| Preventative actions taken to ensure no further issues will occur | | Completion date | |
| A Continual monitoring of data and the process daily, helps to ensure we avoid this again, as well preparing for the takeover of the new system, that we may analyze estimation differences accordingly. | | current | |

12.3. Allocation of submission information (Clause 15.5)

Code reference

Clause 15.5

Code related audit information

In preparing and submitting submission information, the reconciliation participant must allocate volume information for each ICP to the NSP indicated by the data held by the registry for the relevant consumption period at the time the reconciliation participant assembles the submission information. Volume information must be derived in accordance with Schedule 15.2.

However, if, in relation to a point of connection at which the reconciliation participant trades electricity, a notification given by an embedded generator under clause 15.13 for an embedded generating station is in force, the reconciliation participant is not required to comply with the above in relation to electricity generated by the embedded generating station.

Audit observation

Processes to ensure that information used to aggregate the reconciliation reports are consistent with the registry were reviewed and registry validation includes all relevant fields.

The process to ensure that submissions are accurate was discussed and observed.

Audit commentary

The registry data is used as the starting point for submissions to ensure the aggregation factors are correct.

Audit outcome

Compliant

12.4. Grid owner volumes information (Clause 15.9)

Code reference

Clause 15.9

Code related audit information

The participant (if a grid owner) must deliver to the reconciliation manager for each point of connection for all of its GXPs, the following:

- *submission information for the immediately preceding consumption period, by 1600 hours on the 4th business day of each reconciliation period (clause 15.9(a))*
- *revised submission information provided in accordance with clause 15.4(2), by 1600 hours on the 13th business day of each reconciliation period (clause 15.9(b)).*

Audit observation

NextGen has not supplied any GIPs.

Audit commentary

NextGen is not required to report any grid owner volume information.

Audit outcome

Not applicable

12.5. Provision of NSP submission information (Clause 15.10)

Code reference

Clause 15.10

Code related audit information

The participant (if a local or embedded network owner) must provide to the reconciliation manager for each NSP for which the participant has given a notification under clause 25(1) Schedule 11.1 (which relates to the creation, decommissioning, and transfer of NSPs) the following:

- *submission information for the immediately preceding consumption period, by 1600 hours on the 4th business day of each reconciliation period (clause 15.10(a))*
- *revised submission information provided in accordance with clause 15.4(2), by 1600 hours on the 13th business day of each reconciliation period (clause 15.10(b)).*

Audit observation

NextGen is not a local or embedded network owner.

Audit commentary

NextGen is not a local or embedded network owner and is not required to provide NSP submission information.

Audit outcome

Not applicable

12.6. Grid connected generation (Clause 15.11)

Code reference

Clause 15.11

Code related audit information

The participant (if a grid connected generator) must deliver to the reconciliation manager for each of its points of connection, the following:

- *submission information for the immediately preceding consumption period, by 1600 hours on the 4th business day of each reconciliation period (clause 15.11(a))*
- *revised submission information provided in accordance with clause 15.4(2), by 1600 hours on the 13th business day of each reconciliation period (clause 15.11(b)).*

Audit observation

NextGen does not have any grid connected generation.

Audit commentary

NextGen does not have any grid connected generation.

Audit outcome

Not applicable

12.7. Accuracy of submission information (Clause 15.12)

Code reference

Clause 15.12

Code related audit information

If the reconciliation participant has submitted information and then subsequently obtained more accurate information, the participant must provide the most accurate information available to the reconciliation manager or participant, as the case may be, at the next available opportunity for submission (in accordance with clauses 15.20A, 15.27, and 15.28).

Audit observation

I checked the NHH and HHR submission processes to confirm compliance.

Audit commentary

NextGen had an HHR revision process during the last audit so that when estimated data is replaced by actual data, the most accurate data was submitted. There have not been any revisions conducted during the audit period. There was under submission of 112,000 kWh for October 2018 which was not revised and there are estimates present in files for all months during the audit period which need to be replaced with actual data.

There is no NHH revision process in place, the only NHH submission files are “day 4” files. The lack of a revision process leads to four issues, as follows:

- revisions are not conducted when shape files become available which results in inaccurate apportionment between months;
- when aggregation factors change and are backdated, submissions are not altered to take this into account;
- when backdated switches in occur, the period prior to the switch is not included in submission; I found eight ICPs where backdated switches occurred, and the total number of days is 237 where it appears submission did not occur, which could be approx. 6,000 kWh; and
- three ICPs had the addition of the PV1 profile backdated as a result of the previous audit findings but revisions were not conducted for these ICPs for the prior periods.

I checked all the profile changes to and from NHH and none of these spanned any given month, so there was no inaccuracy in relation to this.

Audit outcome

Non-compliant

| Non-compliance | Description |
|---|--|
| Audit Ref: 12.7 With: Clause 15.12 From: 01-Apr-18 To: 13-Dec-18 | No revision processes leading to inaccurate submission. Potential impact: High Actual impact: High Audit history: Twice Controls: None Breach risk rating: 12 |
| Audit risk rating | Rationale for audit risk rating |

| High | There are currently no controls in place to ensure revisions are conducted. There is a major impact on settlement because of under submission of at least 118,000 kWh; therefore, the audit risk rating is High.7 | | |
|---|--|--------------------|------------------------|
| Actions taken to resolve the issue | | Completion date | Remedial action status |
| Without reiterating the previous comments, revision process is in place. The shape profile non-compliance has been an ongoing issue and will be addressed in the new system. The under estimated submission is not likely to be any higher than the 112,000kWh the auditor mentioned in the introduction. As our Estimation calculation has shown to be higher than it should be. The actual market impact of this is at most a few thousandths of a percent, and a wash up will correct this. | | Mar 2019 Latest | Investigating |
| Preventative actions taken to ensure no further issues will occur | | Completion date | |
| Further toward long term correction, revisions will be submitted going back to November 2017, This was just before we started to take on a high number of ICPs. Prior to this revision had been made previously and monitoring of revisions moving forward is handled by our new system in order to prevent inaccurate submissions. | | Current | |

12.8. Permanence of meter readings for reconciliation (Clause 4 Schedule 15.2)

Code reference

Clause 4 Schedule 15.2

Code related audit information

Only volume information created using validated meter readings, or if such values are unavailable, permanent estimates, has permanence within the reconciliation processes (unless subsequently found to be in error).

Volume information created using estimated readings must be subsequently replaced at the earliest opportunity by the reconciliation participant by volume information that has been created using validated meter readings or permanent estimates by, at the latest, the month 14 revision cycle.

A permanent estimate may be used in place of a validated meter reading, but only if, despite having used reasonable endeavours; the reconciliation participant has been unable to obtain a validated meter reading.

Audit observation

NHH vols files were reviewed to identify any forward estimate still existing.

Audit commentary

The proportion of HE is 100% for every submission.

Audit outcome

Compliant

12.9. Reconciliation participants to prepare information (Clause 2 Schedule 15.3)

Code reference

Clause 2 Schedule 15.3

Code related audit information

If a reconciliation participant prepares submission information for each NSP for the relevant consumption periods in accordance with the Code, such submission information must comprise the following:

- *half hour volume information for each ICP notified in accordance with clause 11.7(2) for which there is a category 3 or higher metering installation (clause 2(1)(a))*
- *for each ICP about which information is provided under clause 11.7(2) for which there is a category 1 or category 2 metering installation (clause 2(1)(b)):*
 - a) *half hour volume information for the ICP; or*
 - b) *non half hour volumes information calculated under clauses 4 to 6 (as applicable).*
 - c) *unmetered load quantities for each ICP that has unmetered load associated with it derived from the quantity recorded in the registry against the relevant ICP and the number of days in the period, the distributed unmetered load database, or other sources of relevant information (clause 2(1)(c))*
- *to create non half hour submission information a reconciliation participant must only use information that is dependent on a control device if (clause 2(2)):*
 - a) *the certification of the control device is recorded on the registry; or*
 - b) *the metering installation in which the control device is location has interim certification.*
- *to create submission information for a point of connection the reconciliation participant must apply to the raw meter data (clause 2(3)):*

- a) for each ICP, the compensation factor that is recorded in the registry (clause 2(3)(a))
- b) for each NSP the compensation factor that is recorded in the metering installations most recent certification report (clause 2(3)(b)).

Audit observation

The registry list was reviewed for the audit period to confirm that NextGen should supply:

- NHH information;
- HHR information;
- generation information under the PV1 profile; and
- unmetered load.

The accuracy of submission information was checked in numerous sections, and I checked the accuracy of generation and unmetered submissions.

Audit commentary

One issue was found with regard to the completeness of submission information. ICP 0000043474NT14D has shared unmetered load. It switched in on 07/09/18 but NextGen does not have an unmetered load submission process, therefore submission has not occurred. NextGen removed the unmetered load details from the registry on 01/11/18.

All compensation factors were reviewed to ensure they were correct. Compensation factors are applied manually at the time of meter reading population. This process could result in errors and I recommend automation occurs where the compensation factor is populated in a field and multiplication occurs automatically.

| Recommendation | Description | Audited party comment | Remedial action |
|------------------------------|---|---|-----------------|
| Clause 2(3) of Schedule 15.3 | Automate the application of compensation factors. | Was brought to our attention by the auditor, and we are looking into how to implement this into our new system. | Investigating |

Audit outcome

Non-compliant

| Non-compliance | Description |
|--|---|
| Audit Ref: 12.9 With: Clause 2 of Schedule 15.3 From: 01-Jul-17 To: 31-Mar-18 | Submission did not occur for one unmetered load ICP. Potential impact: Medium Actual impact: Low Audit history: Twice Controls: Moderate Breach risk rating: 2 |
| Audit risk rating | Rationale for audit risk rating |
| Low | The controls are recorded as moderate because submission does occur for generation, NHH and HHR information, but not for unmetered load. The impact on settlement is minor; therefore, the audit risk rating is low. |

| Actions taken to resolve the issue | Completion date | Remedial action status |
|---|-----------------|------------------------|
| Addressed in Section 3.7 | | Identified |
| Preventative actions taken to ensure no further issues will occur | Completion date | |
| Addressed in Section 3.7 | | |

12.10. Historical estimates and forward estimates (Clause 3 Schedule 15.3)

Code reference

Clause 3 Schedule 15.3

Code related audit information

For each ICP that has a non-half hour metering installation, volume information derived from validated meter readings, estimated readings, or permanent estimates must be allocated to consumption periods using the following techniques to create historical estimates and forward estimates (clause 3(1)).

Each estimate that is a forward estimate or a historical estimate must clearly be identified as such (clause 3(2)).

If validated meter readings are not available for the purpose of clauses 4 and 5, permanent estimates may be used in place of validated meter readings (clause 3(3)).

Audit observation

Review processes to confirm that historic estimates are included and identified.

Permanence of meter readings is reviewed in **section 12.8**. The methodology to create forward estimates is discussed in **section 12.12**.

Audit commentary

NextGen has not been required to calculate forward estimates, all meters have been read within the first four working days of the next month and historic estimates have been calculated.

Audit outcome

Compliant

12.11. Historical estimate process (Clause 4 and 5 Schedule 15.3)

Code reference

Clause 4 and 5 Schedule 15.3

Code related audit information

The methodology outlined in clause 4 of Schedule 15.3 must be used when preparing historic estimates of volume information for each ICP when the relevant seasonal adjustment shape is available.

If a seasonal adjustment shape is not available, the methodology for preparing an historical estimate of volume information for each ICP must be the same as in clause 4, except that the relevant quantities kWhPx must be prorated as determined by the reconciliation participant using its own methodology or

on a flat shape basis using the relevant number of days that are within the consumption period and within the period covered by kWh_{PK} .

Audit observation

The GR170 files showed that no NHH revisions have been conducted. I therefore checked the calculations for historic estimates for initial submissions, without a shape file.

Audit commentary

The initial HE calculations are correct and accurate, using a flat shape for the apportionment between months.

Shape files are not used, and the historic estimates are not revised to correct the apportionment between months. This is not compliant and NextGen intends to replace ETS with a system designed to calculate historic estimates for revisions.

Audit outcome

Non-compliant

| Non-compliance | Description | | |
|--|--|--|------------------------|
| Audit Ref: 12.11 With: Clause 4 and 5 Schedule 15.3 From: 01-Apr-18 To: 13-Dec-18 | HE calculations and revisions not conducted after Day 4. Potential impact: Medium Actual impact: Low Audit history: Once Controls: Weak Breach risk rating: 3 | | |
| Audit risk rating | Rationale for audit risk rating | | |
| Low | The controls are recorded as weak because they exist for Day 4 submissions but not for any subsequent revisions. The impact on settlement is minor due to the incorrect apportionment of consumption between months; therefore, the audit risk rating is low. | | |
| Actions taken to resolve the issue | | Completion date | Remedial action status |
| Our New system will fix the estimation gaps and errors and archive all data, as well as wash-up the previous months. The new system has been completed and is currently in testing prior to a material change audit. | | Latest 4 th day Mar 2019 Submissions | Identified |
| Preventative actions taken to ensure no further issues will occur | | Completion date | |
| Revisions are currently being ran through the ETS system, in order to be compared to the revisions coming out of the new system once it is implemented. This is in an effort to measure any differences we may need to submit for 3,7 and 14month revisions. | | Current | |

12.12. Forward estimate process (Clause 6 Schedule 15.3)

Code reference

Clause 6 Schedule 15.3

Code related audit information

Forward estimates may be used only in respect of any period for which an historical estimate cannot be calculated.

The methodology used for calculating a forward estimate may be determined by the reconciliation participant, only if it ensures that the accuracy is within the percentage of error specified by the Authority.

Audit observation

I checked whether forward estimates had been used.

Audit commentary

NextGen has not needed to use forward estimates because all NHH ICPs are read within the first four working days of the next month.

Audit outcome

Not applicable

12.13. Compulsory meter reading after profile change (Clause 7 Schedule 15.3)

Code reference

Clause 7 Schedule 15.3

Code related audit information

If the reconciliation participant changes the profile associated with a meter, it must, when determining the volume information for that meter and its respective ICP, use a validated meter reading or permanent estimate on the day on which the profile change is to take effect.

The reconciliation participant must use the volume information from that validated meter reading or permanent estimate in calculating the relevant historical estimates of each profile for that meter.

Audit observation

A registry list with history was reviewed for the audit period to confirm that NextGen has only used the RPS, HHR and PV1 profiles during the audit period. I checked the event detail report to identify profile changes and checked that actual readings had been used.

Audit commentary

I did not identify any examples where profile changes had occurred without a meter reading on the date of the change.

Audit outcome

Compliant

13. SUBMISSION FORMAT AND TIMING

13.1. Market Administrator Meter Reading Reports (Clauses 8 & 9 of Schedule 15.2)

Code reference

Clause 8 Schedule 15.3

Code related audit information

Provision of meter read frequency reports to the Authority, no later than 20 business days after the end of the month.

Audit observation

I checked whether the meter reading reports had been prepared and submitted in accordance with this clause.

Audit commentary

Reports were prepared but the content was not correct for some months and the reports were sent late.

Audit outcome

Non-compliant

| Non-compliance | Description | | |
|--|--|-----------------|------------------------|
| Audit Ref: 13.1 With: Clause 8 Schedule 15.3 From: 01-Apr-18 To: 14-Dec-18 | Incorrect and late meter reading reports. Potential impact: Low Actual impact: Low Audit history: None Controls: Weak Breach risk rating: 3 | | |
| Audit risk rating | Rationale for audit risk rating | | |
| Low | The controls are recorded as weak because they do not mitigate risk most of the time. The impact is minor; therefore, the audit risk rating is low. | | |
| Actions taken to resolve the issue | | Completion date | Remedial action status |
| We had addressed this in our new system already and put an automated feature in to produce these. The emailing of the reports had failed, hence late reports sent. We are adapting our new system to provide better front-end visibility of this in order to validate the process is working properly. The reports are correct; however, after the automated emails had failed to send I had tried to manually extract (copy and paste) the data from our system and accidentally created 0% read files, which I corrected and resent across to the EA. | | Current | Identified |
| Preventative actions taken to ensure no further issues will occur | | Completion date | |

| | | |
|-------|---------|--|
| Above | Current | |
|-------|---------|--|

13.2. Provision of submission information to the RM (Clause 8 Schedule 15.3)

Code reference

Clause 8 Schedule 15.3

Code related audit information

Submission information provided to the reconciliation manager must be aggregated to the following level:

- *NSP code (clause 8(a))*
- *reconciliation type (clause 8(b))*
- *profile (clause 8(c))*
- *loss category code (clause 8(d))*
- *flow direction (clause 8(e))*
- *dedicated NSP (clause 8(f))*
- *trading period for half hour metered ICPs and consumption period or day for all other ICPs (clause 8(g)).*

Audit observation

The process to ensure that submissions are accurate was evaluated by conducting a walk-through of the validation processes and the submission preparation processes. I also checked the ICPMISS reporting to identify any aggregation issues.

Audit commentary

AV080 and AV090 files are aggregated correctly. Compliance with the requirement to use correct aggregation factors is confirmed. The registry is used as the starting point for submissions. Clause 8(g) of Schedule 15.3 allows NHH submission information to be aggregated to a daily level. NextGen has chosen to aggregate to a daily level, and although this is an unusual practice, the Code allows it to occur.

Audit outcome

Compliant

13.3. Reporting resolution (Clause 9 Schedule 15.3)

Code reference

Clause 9 Schedule 15.3

Code related audit information

When reporting submission information, the number of decimal places must be rounded to not more than two decimal places.

If the unrounded digit to the right of the second decimal place is greater than or equal to five, the second digit is rounded up, and if the digit to the right of the second decimal place is less than five, the second digit is unchanged.

Audit observation

Aggregation of the AV080 and AV090 was reviewed and as part of these checks, I verified that the data provided for submission was correctly rounded.

Audit commentary

Submission information is appropriately rounded to no more than two decimal places. Rounding does not occur until the files are prepared.

Audit outcome

Compliant

13.4. Historical estimate reporting to RM (Clause 10 Schedule 15.3)

Code reference

Clause 10 Schedule 15.3

Code related audit information

By 1600 hours on the 13th business day of each reconciliation period the reconciliation participant must report to the reconciliation manager the proportion of historical estimates per NSP contained within its non half hour submission information.

The proportion of submission information per NSP that is comprised of historical estimates must (unless exceptional circumstances exist) be:

- *at least 80% for revised data provided at the month 3 revision (clause 10(3)(a))*
- *at least 90% for revised data provided at the month 7 revision (clause 10(3)(b))*
- *100% for revised data provided at the month 14 revision (clause 10(3)(c)).*

Audit observation

I reviewed GR170 reports for the entire audit period to confirm that historic estimate requirements were met.

Audit commentary

The quantity of historical estimates is contained in the submission file and is not a separate report.

The percentage of HE is 100% for all submissions due to all NHH meters being read within the first four working days.

Audit outcome

Compliant

CONCLUSION

The level of non-compliance has increased since the last audit, largely due to inadequate controls and the lack of a revision process for submission information. Under submission of 112,000 kWh occurred for October 2018 because the AMS AMI files were not located in NextGen's raw meter data directory for 15 of 31 days. The lack of a revision process means this matter has not been resolved and the lack of complete audit trails means the reason for the missing files is unknown.

Other issues leading to incorrect consumption information are as follows:

1. Submission has not occurred for a switched in ICP with unmetered load. The unmetered load details have been incorrectly removed from the registry.
2. Submission of generation volumes has not occurred where the generation details have been added for backdated time periods.
3. Submission has not occurred for backdated switches in.
4. HHR correction process does not make use of total consumption derived from register readings.
5. NHH historic estimate revisions are not conducted using the relevant shape files.

Most of the registry and switching related issues were caused because of manual processes.

PARTICIPANT RESPONSE

NextGen Energy would like to thank Steve Woods and Veritek for a comprehensive audit, and whilst we note the numerous compliance issues raised, we would like to point out to the Authority that we are not surprised that these have occurred as 'repeats' from the previous audit. This is unsurprising as the audit was performed on data and operations from the redundant 'ETS' system that we have previously advised the EA is in the process of being replaced. As such, it bears no credibility on the likelihood of repeat non-compliances going forward.

We have previously advised the EA that the ETS system in use was designed by and is being marketed by, an EA-approved Auditor, and our belief was that it was 'compliant to Code'. We are aware that at least 2 other Participants will be in the same situation.

It has become apparent from previous audits that this is not the case, and as advised at the last Audit, is being replaced by a new system that has been under development for the last six months. The system is now set for live operation, but due to the timing of this Audit, was not live for the preparation of data for use by the Auditor.

This audit on the surface appears daunting, however we would draw the Authority's attention to the majority of breach risk rating revolving around a single instance and ask for your consideration that it should be treated as such.

After the previous audit, NextGen took several steps including engaging professional consultants to analyse where our current ETS system stood and to what length a new system would have to be developed in order to avoid ongoing compliance issues in the future.

After analysis, we were advised to develop our new system further than we originally thought in making our software more comprehensive in nature. Therefore, our new system development has taken longer than expected, as potential issues have arisen since the last audit, that are being addressed in the new system, as it only makes sense to address these issues in development and not risk future audit non-compliances.

It is obvious that a significant error in the October submissions has highlighted a number of previously known issues of the current ETS reconciliation system. It has been quite some effort to both identify these issues, as well as find ways to rectify these in our new system. As Steve Woods identified correctly, we have spent hundreds and hundreds of hours seeking to identify, correct, and repair data issues in ETS.

We have spent a considerable amount of time and money developing the new system in order to fix all the non-compliance issues raised in all current and prior Audits.

We do have a revision process in place, contrary to the report by the Auditor, as well as improved revision processes to replace them shortly and will make use of the processes to correct the errors we have experienced.

We have spent the better part of 6 months developing our new system to handle data reconciliation and registry automation, and the system is complete subject to final stress testing. There remain a small number of items of functionality that remain to be implemented and the whole system will be ready for full implementation testing by February 2019 submission dates, and a concrete deadline of Mar 2019 submissions dates for 'live' operation.

The 'inadequate controls' mentioned by the auditor are also addressed in the new system and a significant amount of effort has gone into the automation and analysis of data to prevent the reoccurrence of any identified non-compliances, including the implementation of an enhanced tracking function for audit trail control.

We acknowledge that it is imperative for NextGen to find long term solutions for code compliance as highlighted in the Auditor's final conclusions. The monthly need for high levels of manual intervention and correction of data, required as a result of the system software limitations, has been hugely labour-intensive and costly already, and the Company has invested heavily in new automated software to resolve this.

To provide sufficient time and collation of data for a follow-up Audit, we would respectfully ask that an Audit date of no sooner than 31 May 2019 be required.

Finally, we would like to advise the Authority that we are changing our business model from 2019 onwards and are withdrawing from mass market participation. As a result, we will likely have fewer, rather than more, ICPs, and as such, the occurrence of, and market impact of, future non-compliances is likely to reduce.