

Compliance plan for Smart Net Limited (SMRT) – 2019

Requirement to provide complete and accurate information		
Non-compliance	Description	
<p>Audit Ref: 2.1</p> <p>With: 11.2</p> <p>From: 01-Mar-19</p> <p>To: 12-Oct-19</p>	<p>Registry information not complete and accurate in all instances.</p> <p>Potential impact: Low</p> <p>Actual impact: Low</p> <p>Audit history: Once</p> <p>Controls: Moderate</p> <p>Breach risk rating: 2</p>	
Audit risk rating	Rationale for audit risk rating	
Low	<p>The controls are rated as moderate as controls will mitigate risk most of the time but there is room for errors to occur.</p> <p>The audit risk rating is low as the missing information has no direct impact on settlement.</p>	
Actions taken to resolve the issue		Completion date
Based on a discussion with the EA, the affected retailers for all 29 ICPs have been notified of a change to the loss code from 1 Jan 2020 (2 months) which will result in the correct net loss factor.		17/10/19
Preventative actions taken to ensure no further issues will occur		Completion date
All instances here relate to a single network and were based on an incorrect assumption when the ICPs were transferred between distributor codes and not a lack of controls. For any future transfers we will ensure the net loss factor matches the parent networks loss factor for similar ICPs irrespective of what the historical loss factor for the affected ICPs may have been.		17/10/19
		Identified

Requirement to correct errors			
Non-compliance	Description		
<p>Audit Ref: 2.2</p> <p>With: Clauses 11.2(2) and 10.6(2)</p> <p>From: 01-Sep-18</p> <p>To: 31-Aug-19</p>	<p>Errors not corrected as soon as practicable.</p> <p>Potential impact: Low</p> <p>Actual impact: Low</p> <p>Audit history: Once</p> <p>Controls: Moderate</p> <p>Breach risk rating: 2</p>		
Audit risk rating	Rationale for audit risk rating		
Low	<p>Controls are rated as moderate as they will mitigate risk most of the time but there is room for errors to occur.</p> <p>The risk rating is low as the corrections not actioned have no direct impact on reconciliation.</p>		
Actions taken to resolve the issue		Completion date	Remedial action status
<p>This noncompliance seems to relate largely to the incorrect loss factor calculation for 29 ICPs as identified in 2.1 above. It was our view until discussions held as part of the response to this audit that we were compliant and when we discovered we were not compliant we have corrected it immediately. We acknowledge however that there were a limited number of other instances (incorrect NSP for example) that also create noncompliance, but which were corrected immediately upon discovery.</p>		As discovered.	Identified
Preventative actions taken to ensure no further issues will occur		Completion date	
<p>Regarding the non loss factor related noncompliance, the issue here is largely around identification. We will continue to track registry changes daily but have also instigated specific controls as part of a new billing system that will identify differences between registry data and our records.</p>		by 1 November 2019	

Timeliness of Provision of Initial Electrical Connection Date		
Non-compliance	Description	
<p>Audit Ref: 3.5</p> <p>With: 7(2A) of Schedule 11.1</p> <p>From: 01-Sep-18</p> <p>To: 31-Aug-19</p>	<p>38 ICPs Initial electrical connection dates updated late.</p> <p>Potential impact: Low</p> <p>Actual impact: Low</p> <p>Audit history: Multiple</p> <p>Controls: Moderate</p> <p>Breach risk rating: 2</p>	
Audit risk rating	Rationale for audit risk rating	
Low	<p>The controls are rated as moderate as Smartnet is actively seeking this information but when other participants are slow to provide the information this causes Smartnet to be non-compliant.</p> <p>This has no direct impact on submission but does limit the ability of traders to validate their Active dates, hence the audit risk rating is low.</p>	
Actions taken to resolve the issue		Completion date
In the last 12 months we have instigated tighter controls on livening agents requiring them to provide details in a timely manner or face losing the ability to liven on SMRT networks. This has had some success, but we also continue to cross reference with other participant's dates using registry reports daily, (and do find some discrepancies). We will continue to refine the process with an aim of 100% compliance.		Ongoing
Preventative actions taken to ensure no further issues will occur		Completion date
See above		Ongoing
		Investigating

Changes to registry information			
Non-compliance	Description		
<p>Audit Ref: 4.1</p> <p>With: 8 Schedule 11.1</p> <p>From: 01-Sep-18</p> <p>To: 31-Aug-19</p>	<p>4 late pricing updates and 2 late network event changes</p> <p>Potential impact: Low</p> <p>Actual impact: Low</p> <p>Audit history: Twice</p> <p>Controls: Moderate</p> <p>Breach risk rating: 2</p>		
Audit risk rating	Rationale for audit risk rating		
Low	<p>The controls are rated as moderate as the process is largely manual hence errors can occur, but controls are in place to mitigate risk most of the time.</p> <p>The audit risk rating is low the late changes are small in volume.</p>		
Actions taken to resolve the issue		Completion date	Remedial action status
<p>Registry updates are done using web interface which is the most effective solution for a small operator without a significant IT investment. Registry reports are run daily.</p> <p>Regarding the distributed generation, this was noted on 2 Sept based on a registry update on 28 Aug from the retailer and we were able get the necessary information from the retailer and update the registry on 3 September. Unfortunately this was one day outside the timeframe.</p> <p>In terms of the NSP change, this was an error when originally loading the ICP which was noticed some time later and corrected immediately upon noticing.</p>		completed	Identified
Preventative actions taken to ensure no further issues will occur		Completion date	
We will continue to track registry changes daily but have also instigated specific controls as part of a new billing system that will identify differences between registry data and our records.		ongoing	

ICP location address		
Non-compliance	Description	
<p>Audit Ref: 4.4</p> <p>With: Clause 2 Schedule 11.1</p> <p>From: 01-Sep-18 To: 12-Oct-19</p>	<p>6 ICPs with insufficient information to readily locate.</p> <p>Potential impact: Low</p> <p>Actual impact: Low</p> <p>Audit history: None</p> <p>Controls: Strong</p> <p>Breach risk rating: 1</p>	
Audit risk rating	Rationale for audit risk rating	
Low	<p>The controls are recorded as strong because they mitigate risk to an acceptable level</p> <p>The impact on settlement and participants is minor; therefore the audit risk rating is low.</p>	
Actions taken to resolve the issue		Completion date
<p>As a matter of course we are provided with lot numbers for new developments which we believed to be relatively locatable (being a matter of council records). Over time these addresses are updated as sites become occupied. In discussion with the author we have come to realize that this does not meet the standard that may be required by the Authority and will actively seek out the full addresses and update accordingly. Additionally we get more information where possible when creating ICPs.</p>		by 31 October 2019
Preventative actions taken to ensure no further issues will occur		Completion date
<p>Seek more information from new connections and monitor and update addresses more frequently.</p>		ongoing
		Identified

Distributors to Provide ICP Information to the Registry manager		
Non-compliance	Description	
<p>Audit Ref: 4.6</p> <p>With: 7(1) Schedule 11.1</p> <p>From: 01-Mar-19</p> <p>To: 12-Oct-19</p>	<p>29 ICPs with an incorrect loss category code assigned.</p> <p>Potential impact: Low</p> <p>Actual impact: Low</p> <p>Audit history: Multiple times</p> <p>Controls: Moderate</p> <p>Breach risk rating: 2</p>	
Audit risk rating	Rationale for audit risk rating	
Low	<p>The controls are rated as moderate as the process is largely manual hence errors can occur, but controls are in place to mitigate risk most of the time.</p> <p>The audit risk rating is low as the volume of ICPs affected is small.</p>	
Actions taken to resolve the issue		Completion date
We accept that we cannot substantiate the net loss factor in this instance and it is our responsibility to do so. Accordingly we have notified the retailers concerned that the loss code and factor will change from 1 Jan 2020 to result in the correct net loss factor calculation.		17/10/19
Preventative actions taken to ensure no further issues will occur		Completion date
This was based on an incorrect assumption and not a lack of control. From here on out, in the event of a transfer of ICPs, we will ensure the net loss factor calc equals the local network loss factor for similar ICPs irrespective of what was the case historically for the ICPs concerned.		as needed
		Identified

Updating loss factors		
Non-compliance	Description	
<p>Audit Ref: 5.2</p> <p>With: Clause 22 Schedule 11.1</p> <p>From: 01-Mar-19 To: 29-Apr-19</p>	<p>Loss factor changed late for one loss category code</p> <p>Potential impact: Low</p> <p>Actual impact: None</p> <p>Audit history: None</p> <p>Controls: Strong</p> <p>Breach risk rating: 1</p>	
Audit risk rating	Rationale for audit risk rating	
Low	<p>The controls are recorded as strong because they mitigate risk to an acceptable level.</p> <p>There was no impact on settlement or participants is minor; therefore the audit risk rating is low.</p>	
Actions taken to resolve the issue		Completion date
Wellington Electricity changed its loss factors in 2019, which was identified as impacting embedded network loss factors and duly notified to retailers and updated with 2 months' notice, SNLV1 was however entered incorrectly (1.0265 vs 1.0261). This was identified and corrected on 29 April We chose not to push the date forward 2 months as this would have created incorrect loss factors for 2 months and not match our price schedule which was sent to retailers 2 months prior.		29/4/19
Preventative actions taken to ensure no further issues will occur		Completion date
This was a processing error and was picked up in our checking processes but rather late. We have instigated better and faster checking processes for future updates.		29/4/19
		Identified