

Electricity Industry Participation Code Distributor Audit Report

for

ESD Power Ltd (ESDP)

Prepared by Rebecca Elliot – Veritek Ltd

Date of Audit: 26/07/17

Date Audit Report Complete: 08/08/17

Date Audit Report Due: 10/08/17

Executive Summary

This Distributor audit was conducted at the request of **ESD Power Ltd (ESDP)** to encompass the Electricity Industry Participation Code requirement for an annual audit, in accordance with clause 11.10 of part 11.

The audit was conducted in accordance with the Guideline for Distributor Audits V7.1, which was produced by the Electricity Authority.

ESDP has changed network management companies from TENCO EBS, to Smartpower on 1st October, 2017. Smartpower use TEG and Associates as a contractor to carry out the registry and creation and decommissioning of NSPs. I have examined both agent reports for the purposes of this audit as the audit period is from 1st July 2016 to 30th June 2017. I have attached the TEG and Associates audit report as an appendix. I do not have permission to include the TENCO EBS audit report due commercial sensitivity, but I do have permission to provide it directly to the authority if required. I have covered off all aspects of TENCO's activity in this report. In this report, I have only recorded those matters where issues were discovered, or where specific analysis was undertaken.

The matters are set out in the table below. The Distributor audit frequency matrix indicates that next recommended audit is due in 24 months and I agree with this recommendation.

Table of Non-Compliance

Subject	Section	Clause	Non compliance	Controls	Audit Risk Rating	Breach Risk Rating	Remedial Action
Responsibility for Metering Information	6.3	10.25(3)	The recertification of 2 NSPs not advised to the Reconciliation Manager within 20 business days of recertification.	Weak	Low	3	Identified
Breach Risk Rating Score							3
Indicative Next Audit Frequency							24 months

Table of Recommendations

Subject	Section	Clause	Recommendation for improvement	Remedial Action
			Nil	

Persons Involved in This Audit

Auditor:

Rebecca Elliot

Veritek Limited

Electricity Authority Approved Auditor

Personnel assisting in this audit were.

Name	Title	Company
Nick Oldham	General Manager	Smart Power Limited T/A Energy Select
Ewa Glowacka	Director	TEG and Associates
Nick Price	General Manager	TENCO Limited

Contents

Executive Summary	2
Table of Non-Compliance	2
Table of Recommendations	2
Persons Involved in This Audit	3
Contents	4
1. Administrative	6
1.1 Summary of Previous Audit	6
Table of Non-Compliance	6
Table of Recommendations	6
1.2 Scope of Audit	6
1.3 Balancing Areas and ICP Data	7
1.4 Exemptions From Obligations to Comply With Code (Section 11 of Electricity Industry Act 2010)	8
1.5 Supplier List	8
1.6 Breaches or Breach Allegations	8
2. Operational Infrastructure	8
2.1 Requirement to Provide Complete and Accurate Information (Clause 11.2(1) of Part 11)	8
2.2 Requirement to Correct Errors (Clause 11.2(2) of Part 11)	9
3. Creation of ICPs	9
3.1 Distributors Must Create ICPs (Clause 11.4 of Part 11)	9
3.2 Participants May Request Distributors to Create ICPs (Clause 11.5(3) of Part 11)	10
3.3 Provision of ICP Information to the Registry (Clause 11.7 of Part 11)	10
3.4 Timeliness of the Provision of ICP Information to the Registry (Clause 7(2) of Schedule 11.1)	10
3.5 Timeliness of the Provision of the Initial Energisation Date (Clause 7(2A) of Schedule 11.1)	11
3.6 Connection of ICPs (Clause 11.17 of Part 11)	11
3.7 Electrical Connection of ICPs (Clause 10.28(7) of Part 10)	11
3.8 Electrical Connection of an ICP that is not an NSP (Clause 10.31 of Part 10)	12
3.9 Electrical Connection of an NSP that is not a Point of Connection to the Grid (Clause 10.30(2) of Part 10)	12
3.10 Loss Category (Clause 6 of Schedule 11.1)	13
3.11 Monitoring of "New" & "Ready" Statuses (Clause 15 of Schedule 11.1)	13
4. Maintenance of Registry Information	13
4.1 Changes to Registry Information (Clause 8 of Schedule 11.1)	13
4.2 Notice of NSP for Each ICP (Clauses 7(1), 7(4) & (5) of Schedule 11.1)	14
4.3 ICP Location Address (Clauses 2 & 7(1)(a) of Schedule 11.1)	14
4.4 Distributors to Provide ICP Information to the Registry (Clause 7(1) of Schedule 11.1)	14

4.5	GPS Co-ordinates (Clause 7(8) & (9) of Schedule 11.1)	15
4.6	Management of "Decommissioned" Status (Clause 20 of Schedule 11.1)	15
4.7	Maintenance of Price Category Codes (Clause 23 of Schedule 11.1)	15
5.	Creation and Maintenance of Loss Factors	16
5.1	Updating Table of Loss Category Codes (Clause 21 of Schedule 11.1)	16
5.2	Updating Loss Factors (Clause 22 of Schedule 11.1)	16
6.	Creation and Maintenance of NSPs	17
6.1	Creation and Decommissioning of NSPs (Clause 11.8 of Part 11 & Clause 25 of Schedule 11.1)	17
6.2	Maintenance of Balancing Area Information (Clauses 24(2)& (3) of Schedule 11.1))	17
6.3	Responsibility for Metering Information for NSP that is not a POC to the Grid (Clause 10.25(1) & (3) of Part 10)	18
7.	Conclusions	20
	Table of Non-Compliance	20
	Table of Recommendations	20
8.	ESDP's Response	22

1. Administrative

1.1 Summary of Previous Audit

ESDP provided a copy of their previous audit conducted by Rebecca Elliot of Veritek Limited. The current status of last year's audit findings are recorded below.

Table of Non-Compliance

Subject	Section	Clause	Non compliance	Status
Changes to Registry	3.1 now 4.1	8(2)(b) of schedule 11.1	Registry events not updated within 3 days of the event.	Cleared
Responsibility for Metering Information	5.1 now 6.3	10.25(1)(b) of Part 11	Expired meter certification on ETC0011.	Still existing

Table of Recommendations

Subject	Section	Clause	Recommendation for improvement	Remedial Action
			Nil	

1.2 Scope of Audit

This Distributor audit was performed at the request of ESDP to encompass the Electricity Industry Participation Code requirement for an annual audit, in accordance with clause 11.10 of part 11.

The audit was conducted in accordance with the Guideline for Distributor Audits V7.1, which was produced by the Electricity Authority.

The scope of the audit is shown in the table below:

Functions Requiring Audit Under Clause 11.10(4) of Part 11	Contractors Involved in Performance of Tasks
a) The creation of ICP identifiers for ICPs.	TENCO EBS Ltd up to 30/9/16 TEG & Associates from 1/10/16
b) The provision of ICP information to the registry and the maintenance of that information.	
c) The creation and maintenance of loss factors.	

TENCO were the embedded network managers until 1/10/16 when the management was moved to Smartpower who uses TEG to carry out ESDP's registry activities and communications in relation to

the establishment of new networks. The TEG contractor report is being submitted with this report. As stated in the Executive Summary, I do not have permission to include the TENCO audit report due commercial sensitivity but I do have permission to provide it directly to the authority if required.

1.3 Balancing Areas and ICP Data

ESDP has responsibility for four embedded networks. The table below lists the relevant NSPs and their associated balancing areas. The EDA0011 Crombie Lockwood building embedded network finished on 31/05/16.

NSP POC	Description	Parent POC	Parent Network	Balancing Area	Network Type	Start Date	Active ICPs
EMA0011	ESD ROCK SHOP MANNERS STREET	CPK0111	CKHK	EMA0011ESDPE	E	1/02/2009	31
EMB0011	ESD BNZ TRUST MANNERS STREET	CPK0111	CKHK	EMB0011ESDPE	E	1/02/2009	19
ETC0011	Telecom Central 72-80 Boulcott	CPK0331	CKHK	ETC0011ESDPE	E	1/10/2011	31
EVA0011	ESDP SOVEREIGN HOUSE	WIL0331	CKHK	EVA0011ESDPE	E	1/02/2009	33

ESDP provided a list file containing all ICPs on their network as at July 2017. A summary of this data by "ICP status" is as follows.

Status	Number of ICPs 2017	Number of ICPs 2015	Number of ICPs Sept 2014	Number of ICPS June 2014
Distributor	0	0	0	0
New	0	0	11	9
Ready	0	0	0	3
Active	114	121	114	134
Inactive – reconciled elsewhere	0	0	15	25
Inactive – vacant	1	0	0	1
Inactive - AMI remote disconnection	1	0	0	0
Inactive – ready for decommissioning	0	0	0	0
Decommissioned	127	120	101	69

1.4 Exemptions From Obligations to Comply With Code (Section 11 of Electricity Industry Act 2010)

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.

There are no exemptions in relation to this audit that have been granted to ESDP.

1.5 Supplier List

TENCO were the embedded network managers until 1/10/16 when the management was moved to Smartpower who uses TEG to carry out ESDP's registry activities and communications in relation to the establishment of new networks. The TEG contractor report is being submitted with this report. As stated in the Executive Summary, I do not have permission to include the TENCO EBS audit report due commercial sensitivity but I do have permission to provide it directly to the authority if required.

1.6 Breaches or Breach Allegations

ESDP has no breaches recorded by the Electricity Authority for the audit period.

2. Operational Infrastructure

2.1 Requirement to Provide Complete and Accurate Information (Clause 11.2(1) of Part 11)

A participant must take all practicable steps to ensure that information that the participant is required to provide to any person under Part 11 is:

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

Audit Observation

The process to find and correct incorrect information was discussed. The list file and event detail report for the audit period was examined to confirm all the registry information was complete and accurate.

Audit Commentary

ESDP advises that these matters are handled as and if they arise by advising TEG to make any changes necessary. Examination of the list file confirmed compliance.

2.2 Requirement to Correct Errors (Clause 11.2(2) of Part 11)

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 discussed. The list file and event detail report for the audit period was examined to confirm all the registry information was complete and accurate.

Audit Commentary

ESDP advises that these matters are handled as and if they arise by advising TEG to make any changes necessary. Examination of the list file confirmed compliance.

3. Creation of ICPs

3.1 Distributors Must Create ICPs (Clause 11.4 of Part 11)

The distributor must create an ICP identifier in accordance with Clause 1 of Schedule 11.1 for each ICP on the distributor's network. This includes an ICP identifier for the point of connection at which an embedded network connects to the distributor's network.

Audit Observation

This clause also assumes that ICP requests will be made by traders. However, the process for embedded networks is different and ICP requests are made by embedded network management. The new connection process is discussed in the TEG and the TENCO contractor reports. Examination of the list file found one ICP was created during the audit period.

Audit Commentary

Compliance is recorded for both contractors in relation to the creation of ICP identifiers. Compliance is confirmed.

3.2 Participants May Request Distributors to Create ICPs (Clause 11.5(3) of Part 11)

The distributor, within three business days of receiving a request for the creation of an ICP identifier for an ICP, must either create a new ICP identifier or advise the participant of the reasons it is unable to comply with the request.

Audit Observation

This clause also assumes that ICP requests will be made by traders. However, the process for embedded networks is different and ICP requests are made by embedded network management. The new connection process is discussed in both contractor's reports. Examination of the list file found one ICP was created during the audit period.

Audit Commentary

ICP 0000003040EP62E was created in July 2016. The ICP was created within three business days of request. The network was managed by TENCO at this time. Compliance is recorded for both agents in relation to this clause. Compliance is confirmed.

3.3 Provision of ICP Information to the Registry (Clause 11.7 of Part 11)

The distributor must provide information about ICPs on its network in accordance with Schedule 11.1

Audit Observation

The new connection process is discussed in both contractor's reports. Examination of the list file found one ICP was created during the audit period.

Audit Commentary

ICP 0000003040EP62E was created in July 2016 and all information was provided as required by this clause. The network was managed by TENCO EBS Limited at this time. Compliance is recorded for both agents in relation to this clause. Compliance is confirmed.

3.4 Timeliness of the Provision of ICP Information to the Registry (Clause 7(2) of Schedule 11.1)

This information is provided as soon as practicable, and before electricity is traded at the ICP.

Audit Observation

The new connection process is discussed in both contractor's reports. Examination of the list file found one ICP was created during the audit period.

Audit Commentary

ICP 0000003040EP62E was created in July 2016 and all information was provided as required by this clause. The network was managed by TENCO at this time. Compliance is recorded for both agents in relation to this clause. Compliance is confirmed.

3.5 Timeliness of the Provision of the Initial Energisation Date (Clause 7(2A) of Schedule 11.1)

*The **distributor** must provide the information specified in sub-clause (1)(p) to the **registry** no later than 10 **business days** after the date on which the **ICP** is initially **energised**.*

Audit Observation

The new connection process for populating all required registry fields was examined. The event detail report for the period from July 2016 through to June 2017 was examined.

Audit Commentary

The process for the updating of the registry is discussed in both agent reports and controls are strong for both. The network was managed by TENCO at this time. The initial energisation date for ICP 0000003040EP62E was populated within the required ten business days. Compliance is confirmed.

3.6 Connection of ICPs (Clause 11.17 of Part 11)

A distributor must, when electrically connecting an ICP that is not also an NSP, follow the electrical connection process set out in Clause 10.31.

The distributor must not electrically connect an ICP (except for an ICP across which unmetered load is shared) unless a trader is recorded in the registry as accepting responsibility for the ICP.

In respect of ICPs across which unmetered load is shared, the distributor must not electrically connect an ICP unless a trader is recorded in the registry as accepting responsibility for the shared unmetered load.

Audit Observation

The new connection process for populating all required registry fields was examined. The event detail report for the period from July 2016 through to June 2017 was examined.

Audit Commentary

Both contractors have robust processes in place to manage this requirement. The one new ICP connected during the audit period had a proposed trader recorded. The network was managed by TENCO EBS Limited at this time. Compliance is confirmed.

3.7 Electrical Connection of ICPs (Clause 10.28(7) of Part 10)

A network owner must not electrically connect a new point of connection that is to be quantified by metering unless requested to do so by the:

- MEP (for a temporary energisation); or*
- Reconciliation participant responsible for ensuring there is a metering installation.*

Audit Observation

The new connection process for populating all required registry fields was examined. The event detail report for the period from July 2016 through to June 2017 was examined.

Audit Commentary

Compliance is recorded in relation to the electrical connection of ICPs for TENCO. There have been no new connections since Smartpower took over management of ESDP. They have robust processes in place to manage this requirement. Compliance is confirmed.

3.8 Electrical Connection of an ICP that is not an NSP (Clause 10.31 of Part 10)

A distributor must not electrically connect an ICP that is not also an NSP unless:

- the trader trading at the ICP has requested the electrical connection; or*
- the MEP who has an arrangement with the trader trading at the ICP has requested temporary energisation of the ICP.*

Audit Observation

The new connection process for populating all required registry fields was examined for both contractors. All ICPs created during the audit period were checked for a proposed trader on the list file.

Audit Commentary

The one new ICP connected during the audit period had a proposed trader recorded. The network was managed by TENCO at this time. Compliance is confirmed.

3.9 Electrical Connection of an NSP that is not a Point of Connection to the Grid (Clause 10.30(2) of Part 10)

A distributor must, within five business days of electrically connecting an NSP that is not also a point of connection to the grid, notify the reconciliation manager of the following in the prescribed form:

- the NSP electrically connected*
- the date of the electrical connection*
- the participant identifier of each MEP*
- the certification expiry date for each metering installation.*

Audit Observation

No new NSPs have been electrically connected during the audit period therefore this has not been assessed.

Audit Commentary

N/A

3.10 Loss Category (Clause 6 of Schedule 11.1)

Each ICP must have a single loss category that is referenced to identify the associated loss factors.

Audit Observation

The list file was examined to confirm all active ICPs have a single loss category code.

Audit Commentary

Each active ICP only has a single loss category, which clearly identifies the relevant loss factor. Compliance is confirmed.

3.11 Monitoring of “New” & “Ready” Statuses (Clause 15 of Schedule 11.1)

If an ICP has had the status of “New” or has had the status of “Ready” for 24 calendar months or more:

- the distributor must ask the trader who intends to trade at the ICP whether the ICP should continue to have that status (Clause 15(2)(a) of Schedule 11.1)*
- the distributor must decommission the ICP if the trader advises that the ICP should not continue to have that status (Clause 15(2)(b) of Schedule 11.1).*

Audit Observation

This is discussed in the TEG contractor report. The list file as at 30/6/17 was examined.

Audit Commentary

Compliance is recorded in both contractor’s reports. An examination of the list file found no ICPs at “New” or “Ready”. Compliance is confirmed.

4. Maintenance of Registry Information

4.1 Changes to Registry Information (Clause 8 of Schedule 11.1)

When information that is held by the registry changes, the distributor responsible for that ICP must provide notice to the registry of that change within three business days of that change taking effect unless the change is to the NSP identifier of the NSP to which the ICP is usually connected (other than a change that is the result of the commissioning or decommissioning of an NSP).

In those cases, notification must be given no later than eight business days after the change takes effect. If the change to the NSP identifier is for more than 14 days, the time within which notification must be effected in accordance with Clause 8(3) of Schedule 11.1 begins on the 15th day after the change.

Audit Observation

As each network is geographically isolated there were no NSP changes to be examined.

The management of this process is discussed in the TEG contractor report. The event detail report for the audit period was examined.

Audit Commentary

Compliance is recorded in the TEG contractor report. The EDA file found no changes have been made during the audit period. Compliance is confirmed.

4.2 Notice of NSP for Each ICP (Clauses 7(1), 7(4) & (5) of Schedule 11.1)

The distributor must notify the registry of the NSP identifier of the NSP to which the ICP is usually connected under Clause 7(1)(b) of Schedule 11.1.

If the distributor cannot identify the NSP that an ICP is connected to, the distributor must nominate the NSP that the distributor thinks is most likely to be connected to the ICP, taking into account the flow of electricity within its network, and the ICP is deemed to be connected to the nominated NSP.

Audit Observation

There is no uncertainty regarding NSP and ICP relationships on ESDP's embedded networks, as they are geographically isolated with only one NSP and one balancing area per embedded network.

Audit Commentary

The NSP for each ICP is notified to the registry as part of the new connections process. Compliance is confirmed.

4.3 ICP Location Address (Clauses 2 & 7(1)(a) of Schedule 11.1)

Each ICP identifier must have a location address that allows the ICP to be readily located.

Audit Observation

The process to manage address accuracy was examined in the TEG contractor report. The list file was analysed.

Audit Commentary

A check of ESDP's list file found that all ICPs have unique addresses with sufficient information to allow the ICPs to be readily located. Compliance is confirmed.

4.4 Distributors to Provide ICP Information to the Registry (Clause 7(1) of Schedule 11.1)

The distributor must provide to the registry the information listed in clause 7(1) of schedule 11.1.

Audit Observation

This is discussed in the both contractor's reports. The list file was examined to check for the population of all required information and it's alignment with the trader where appropriate e.g. Initial energisation date, distributed generation, unmetered load if known and shared unmetered load.

Audit Commentary

Examination of the list file confirmed that all ICP information has been populated correctly. There have been no new connections or embedded generation added during the audit period. Compliance is confirmed.

4.5 GPS Co-ordinates (Clause 7(8) & (9) of Schedule 11.1)

If a distributor populates the GPS coordinates (optional), it must meet the NZTM2000 standard in a format specified by the Authority.

Audit Observation

ESDP do not populate GPS co-ordinates therefore this clause was not evaluated.

Audit Commentary

N/A

4.6 Management of “Decommissioned” Status (Clause 20 of Schedule 11.1)

The ICP status of “distributor” must be managed by the distributor and indicates that the ICP record represents a shared unmetered load installation or the point of connection between an embedded network and its parent network.

Audit Observation

The management of ICPs in relation to the use of the “decommissioned” status is examined in the TEG contractor report. The list file and event detail report for the audit period were examined in relation to the use of the “decommissioned” status.

Audit Commentary

No ICPs have been de-energised during the audit period.

4.7 Maintenance of Price Category Codes (Clause 23 of Schedule 11.1)

The distributor must keep up to date the table in the registry of the price category codes that may be assigned to ICPs on each distributor's network by entering in the table any new price category codes. Each entry must specify the date on which each price category code takes effect, which must not be earlier than two months after the date the code is entered in the table.

A price category code takes effect on the specified date.

Audit Observation

The price category code table on the registry was examined.

Audit Commentary

ESDP has not created any new price category codes during the audit period.

5. Creation and Maintenance of Loss Factors

5.1 Updating Table of Loss Category Codes (Clause 21 of Schedule 11.1)

Distributors must keep up to date the table in the registry of the loss category codes that may be assigned to ICPs on each distributor's network, by entering in the table any new loss category codes. Each entry must specify the date on which each loss category code takes effect, which must not be earlier than two months after the date the code is entered in the table.

Audit Observation

The loss category code table on the registry was examined.

Audit Commentary

ESDP has not created any new loss category codes during the audit period.

5.2 Updating Loss Factors (Clause 22 of Schedule 11.1)

Each loss category code must have a maximum of two loss factors per calendar month. Each loss factor must cover a range of trading periods within that month so that all trading periods have a single applicable loss factor.

If the distributor wishes to replace an existing loss factor on the table on the registry, the distributor must enter the replaced loss factor on the table in the registry assigned to ICPs on the distributor's network.

The distributor must specify the date on which each loss category code takes effect.

Audit Observation

The loss category code table on the registry was examined.

Audit Commentary

ESDP has not created any new loss category codes during the audit period.

6. Creation and Maintenance of NSPs

6.1 Creation and Decommissioning of NSPs (Clause 11.8 of Part 11 & Clause 25 of Schedule 11.1)

If the distributor is creating or decommissioning an NSP that is an interconnection point between two local networks, the distributor must notify the reconciliation manager of the creation or decommissioning.

If the embedded network owner is creating or decommissioning an NSP that is an interconnection point between two embedded networks, the embedded network owner must notify the reconciliation manager of the creation or decommissioning.

If the distributor is creating or decommissioning an NSP that is a point of connection between an embedded network and another network, the distributor must notify the reconciliation manager of the creation or decommissioning.

If the distributor wishes to change the record in the registry of an ICP that is not recorded as being usually connected to an NSP in the distributor's network, so that the ICP is recorded as being usually connected to an NSP in the distributor's network (a "transfer"), the distributor must:

- *notify the reconciliation manager*
- *notify the market administrator*
- *notify each affected reconciliation participant*
- *comply with Schedule 11.2.*

Audit Observation

The NSP table on the registry was examined. No NSPs were created or decommissioned during the audit period, therefore this was not assessed as part of this audit.

Audit Commentary

N/A

6.2 Maintenance of Balancing Area Information (Clauses 24(2)& (3) of Schedule 11.1))

The distributor must notify the reconciliation manager of any change to balancing areas associated with an NSP supplying the distributor's network. The notification must specify the date and trading period from which the change takes effect, and be given no later than three business days after the change takes effect

Audit Observation

The NSP table on the registry was examined. No balancing areas were changed during the audit period; therefore this was not assessed as part of this audit.

Audit Commentary

N/A

6.3 Responsibility for Metering Information for NSP that is not a POC to the Grid (Clause 10.25(1) & (3) of Part 10)

A network owner must, for each NSP that is not a point of connection to the grid for which it is responsible, ensure that:

- there is one or more metering installations (Clause 10.25(1)(a)); and*
- the electricity is conveyed and quantified in accordance with the Code (Clause 10.25(1)(b)).*

For each NSP covered in 10.25 (1), the network owner must, no later than 20 business days after a metering installation for such an NSP is recertified, advise the reconciliation manager of the following:

- the reconciliation participant for the NSP:*
- the participant identifier of the metering equipment provider for the metering installation:*
- the certification expiry date of the metering installation*

Audit Observation

The management of this process is discussed in TEG's report. The NSP supply point table was examined, along with evidence of all updates made to the Reconciliation Manager via the portal.

Audit Commentary

The NSP supply point table was reviewed:

NSP POC	Description	MEP	Certification Expiry
EMA0011	ESD ROCK SHOP MANNERS STREET	AMCI	14-01-26
EMB0011	ESD BNZ TRUST MANNERS STREET	AMCI	13-03-17
ETC0011	Telecom Central 72-80 Boulcott	FCLM	18-08-20
EVA0011	ESDP SOVEREIGN HOUSE	AMCI	03-04-17

All have an MEP recorded as required by this clause. Two NSPs have expired certification recorded. Both sites have been recertified and the current meter certifications have been provided. These have not been advised to the Reconciliation Manager within 20 business days of recertification. This is recorded as non-compliance.

Non-compliance	Description	
Audit ref: 6.3 With: Clause 10.25(3) From/to: 13/3/17-30/6/17	The recertification of 2 NSPs not advised to the Reconciliation Manager within 20 business days of recertification. 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 weak in relation to the monitoring of metering certifications. This has no impact on reconciliation hence the audit risk rating is low.	
Actions taken to resolve the issue	Completion date	Remedial action Status
NSP table has been updated to reflect new certification expiry dates.	~26 July 2017	Identified
Preventative actions taken to ensure no further issues will occur	Completion date	
We had been taking a passive approach to this, relying on third parties to alert us to new certification dates and provide paperwork. This has clearly not worked so we have now taken the monitoring in-house for all networks we manage, created a database and set reminders accordingly.	Completed.	

7. Conclusions

ESDP has changed network management companies from TENCO EBS, to Smartpower on 1st October, 2017. Smartpower use TEG and Associates as a contractor to carry out the registry and creation and decommissioning of NSPs. I have examined both agent reports for the purposes of this audit as the audit period is from 1st July 2016 to 30th June 2017. I have attached the TEG and Associates audit report as an appendix. I do not have permission to include the TENCO EBS audit report due commercial sensitivity, but I do have permission to provide it directly to the authority if required. I have covered off all aspects of TENCO's activity in this report. In this report, I have only recorded those matters where issues were discovered, or where specific analysis was undertaken.

The matters are set out in the table below. The Distributor audit frequency matrix indicates that next recommended audit is due in 24 months and I agree with this recommendation.

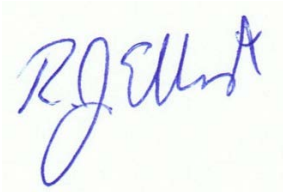
Table of Non-Compliance

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Responsibility for Metering Information	6.3	10.25(3)	The recertification of 2 NSPs not advised to the Reconciliation Manager within 20 business days of recertification.	Weak	Low	3	Identified
Breach Risk Rating Score							3
Indicative Next Audit Frequency							24 months

Table of Recommendations

Subject	Section	Clause	Recommendation for improvement	Remedial Action
			Nil	

Signed by:



Rebecca Elliot – Veritek Limited
Electricity Authority Approved Auditor

Signed by:



Nick Oldham
On behalf of
ESD Power Limited

8. ESDP's Response

This audit has been reviewed by ESDP and their comments are recorded in the report. No further comments were provided.