

Meeting Date: 24 October 2019

## GAS INDUSTRY COMPANY UPDATE ON INFORMATION DISCLOSURE

SECURITY  
AND  
RELIABILITY  
COUNCIL

At the SRC's request, representatives from the Gas Industry Company will present on the topic of information disclosure by the gas industry.

**Note:** This paper has been prepared for the purpose of the Security and Reliability Council (SRC). Content should not be interpreted as representing the views or policy of the Electricity Authority.

## 1. Purpose

- 1.1. At its 20 June 2019 meeting, the SRC received a presentation from OMV concerning the management of gas production outage risks. Following that presentation, the SRC created an action for its secretariat to:
  - “...seek an update from the Gas Industry Company to the SRC about information disclosure.”
- 1.2. Senior representatives from the Gas Industry Company will present on that topic to the 24 October meeting and be available to answer questions.

## 2. Background

- 2.1. The SRC received papers and presentations related to the gas industry at all three of its meetings in 2018.<sup>1</sup>
- 2.2. Coincidentally, 2018 also illustrated the importance of the gas industry to the electricity industry. During March-July 2018, the Pohokura gas production facility had a pipeline fault that reduced its production by about half. During September-December, Pohokura had an unrelated pipeline fault that also reduced its production. While no electricity outages were experienced as a result, the spot price for electricity signalled scarcity in the form of record-high average monthly prices in late 2018.
- 2.3. In a 21 November 2018 letter to the Electricity Authority, the SRC advised:
  - “the system operator is not confident the gas critical contingency operator is kept well-informed by the gas industry
  - security and reliability information is less transparent in the gas industry than in the electricity industry. As such, the gas industry poses a ‘blind spot’ for the security and reliability of the electricity industry. The more imperfect the information, the more inefficient the risk-management decisions of electricity market traders will tend to be
  - the Authority should consider ways to influence the transparency of gas industry information relevant to electricity security and reliability”
- 2.4. In his 16 January 2019 letter of response, the Electricity Authority Chair advised that he had:
  - “...instructed our Chief Executive to raise the matter with the Council of Energy Regulators to encourage the GIC to treat the matter with importance...Given the Minister of Energy and Resources has written to the GIC encouraging improvement in regard to the availability of gas industry information, we know the GIC is already aware of the high level of interest.”

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<sup>1</sup>

John Kidd at the 28 March meeting ([Link](#)), Gas Industry Company at the 22 June meeting ([Link](#)), and the system operator at the 24 October 2018 meeting ([Link](#)).

- 2.5. In a 30 July 2019 letter of advice to the Electricity Authority, the SRC advised:
- “the gas industry seem to be managing their risks well but alignment between it and the electricity industry is an issue. In particular, the SRC remains concerned with gas industry information disclosure arrangements, as set out in the SRC’s 21 November 2018 letter of advice”

### 3. Questions for the SRC to consider

- 3.1 The SRC may wish to consider the following questions.

**Q1. What further information, if any, does the SRC wish to have provided to it by the secretariat?**

**Q2. What advice, if any, does the SRC wish to provide to the Authority?**

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# Update on Information Disclosure to the Security and Reliability Council

DATE:  
24 October 2019

Andrew Knight - Chief Executive  
Paul Cruse - Senior Adviser





# Agenda

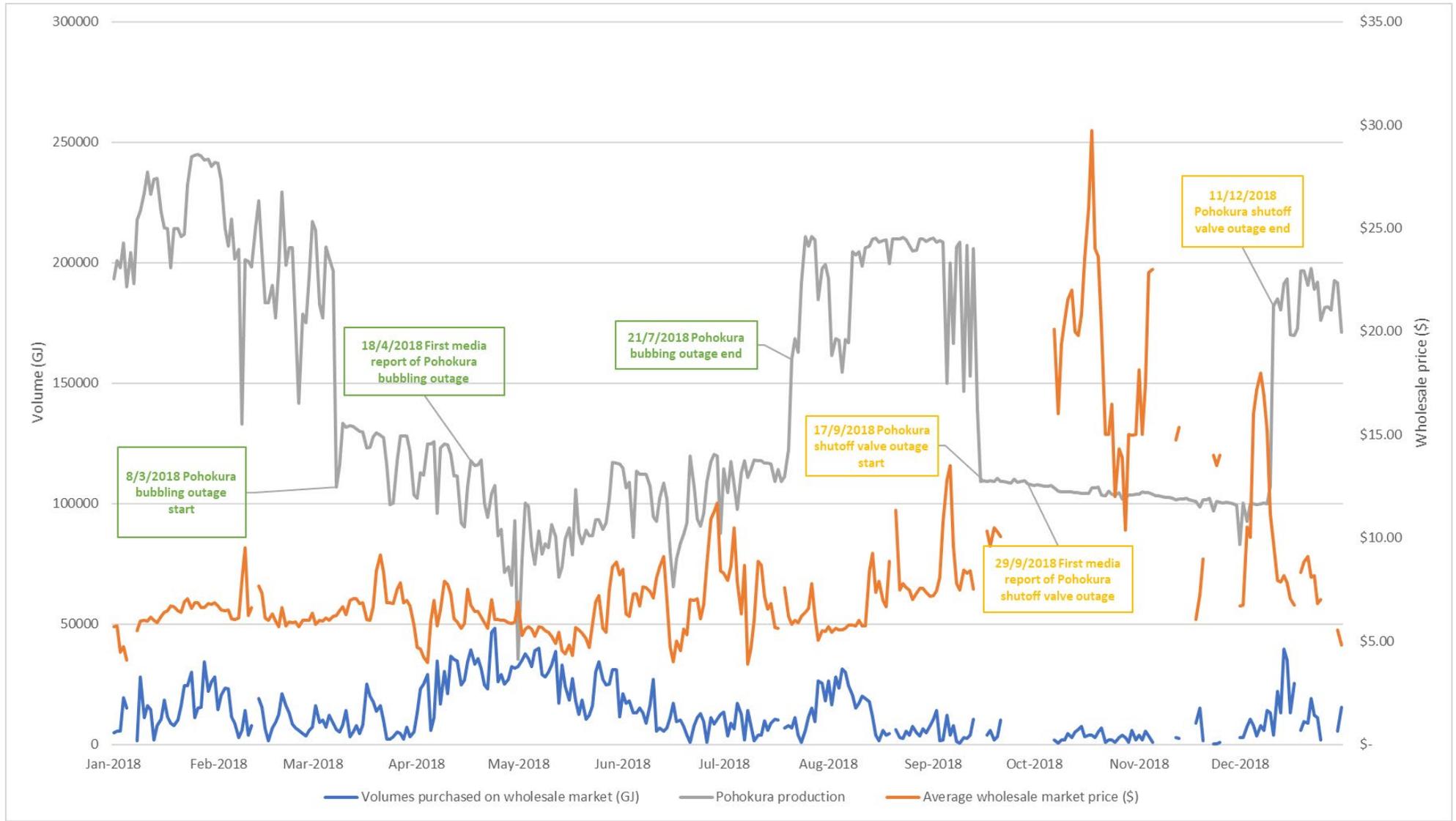
- Background
- Information Disclosure work programme
- Progress on the work programme
- Progress on key issues
- Next steps

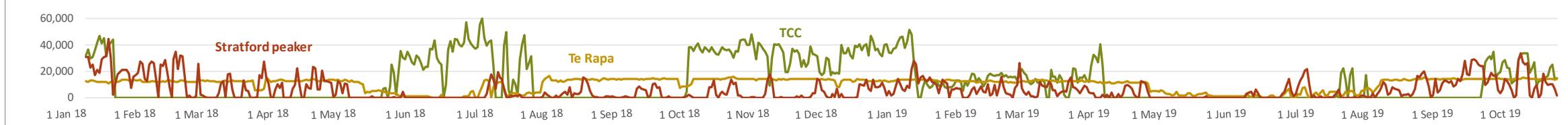
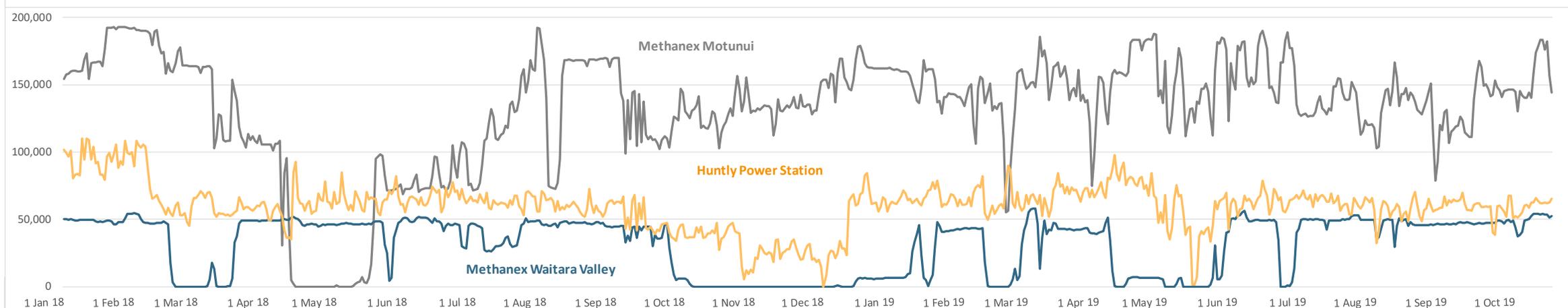
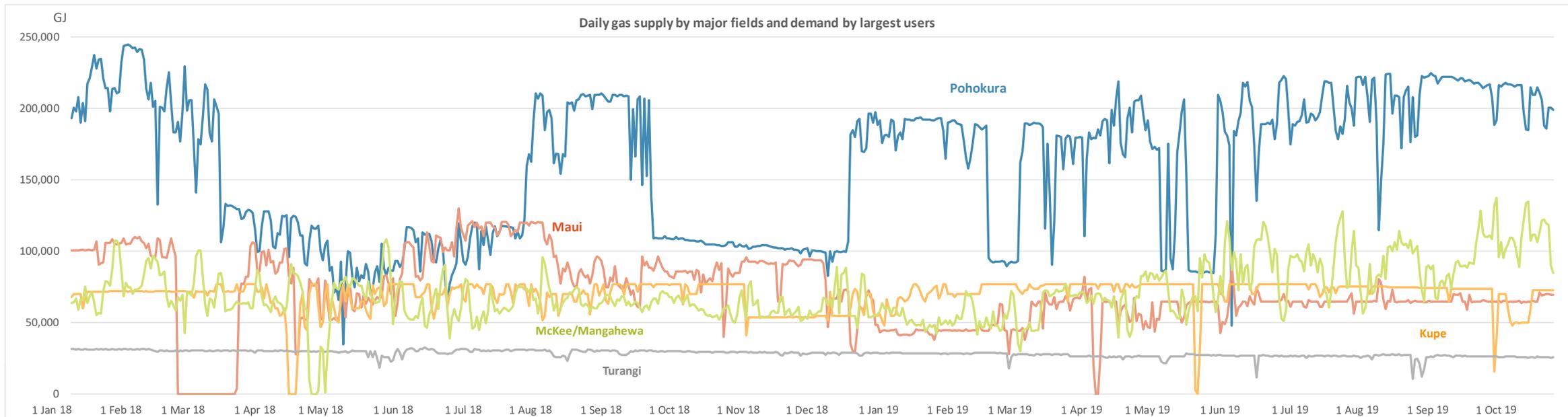
## Information Disclosure - Background

- Last year the wholesale gas market experienced several production outages leading to questions from industry and also GTAC parties who all asked for greater information transparency and asymmetry.
- Last July we were asked by the Minister of Energy and Resources to consider the adequacy of the existing requirements for disclosing information.

Hon Dr Megan Woods' to the Gas Industry Company:

*"... I am concerned, in light of the recent outage at Pohokura, the requirements may be insufficient and that if information is not required to be disclosed in a timely manner it may have a material impact on the wider market for gas. I am also aware that there is often limited reporting around scheduled production outages and that these can also have an impact on the market ..."*





## Information Disclosure work programme

- We established the Information Disclosure work programme last August.
- The new workstream would consider whether current market arrangements related to information disclosure in the wholesale gas sector was sufficient or whether further arrangements are required.

## Progress on the work programme

- Following an assessment of regulatory options and identification of changes required to the Gas Act.
- An Options Paper was released in March 2019 - 20 submissions received
- We went to a round of cross submissions – further 13 cross submissions received
- Feedback on submissions:
  - Broadly consistent theme that additional disclosures were warranted.
- Analysis of submissions has enabled us to develop a focused set of information problems and options for resolution which forms the basis for the next stage of the process

## Progress on key issues

- Parallel to our process, upstream parties and Flex Gas (First Gas) are working together to develop a voluntary, industry-led disclosure regime for production and storage outage information. This information was identified as the largest information gap in the industry.
- We set up an industry notifications webpage on our website and the industry is taking the opportunity to post notifications. As an example, notifications on reduced production from the Kupe Production Station were posted by Beach Energy who have been regularly updating the industry on the status of the repairs.
- GIC is working with the EA on thermal (gas and coal) fuels disclosure in the electricity sector.
- GIC has held some initial discussions with MBIE around the frequency and availability of information on gas production forecasts and storage in Ahuroa.

## Next steps

- We will be consulting widely on a problem assessment paper which will assess the various problems identified in the Options Paper and submissions against the Government Policy Statement for the sector.
- We will begin developing a Statement of Proposal in the New Year. Analysis supporting the Statement of Proposal would focus on the identification and assessment of options for addressing these problems.
- Industry-led solutions such as the Gas Outage Information Disclosure Code are currently being developed by upstream parties and Flex Gas.



Thank you