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Andrew Doube
General Manager Market Policy
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Sent via email: reviewconsultation2022@ea.govt.nz

Dear Andrew

Promoting competition in the wholesale electricity market in the transition toward 100% renewable electricity

Firstgas Group welcomes the opportunity to comment on the Electricity Authority's (EA) consultation paper "*Promoting competition in the wholesale electricity market in the transition toward 100% renewable electricity*" released in November 2022. There is no confidential information in this submission.

Among the wide range of proposed actions, the EA proposes that it will invite the Ministry of Business, Innovation and Employment (MBIE) to "progress work to improve disclosure of information on availability of gas for electricity supply, in particular an amendment to the *Electricity Industry Act 2010* so that section 46 powers include parties in industries critical to security of electricity supply, and in particular the gas industry."

Our submission relates solely to this proposal, with our interest being as a party that the EA believes might hold information that is critical to electricity security of supply. Most likely this is as the owner of the Ahuroa underground gas storage facility (Flexgas), though we do not own the gas our customers store in this facility. For more information about Firstgas Group's businesses, refer to **Attachment 1**.

We disagree with the proposal and our rationale is set out below. We have reviewed and support the points raised in the Business Energy Council submission.

If there is important information the electricity industry doesn't possess, why is that?

The EA asserts that there is important information not held by electricity companies that ought to be available to the EA. The EA has not explored why it is that electricity organisations don't value this information enough to have acquired it. We believe that if the EA considers these organisations should possess this information, then it should first ask whether the failure exists within the electricity industry for not valuing this information sufficiently.

When looking at the issue from this angle, we consider that other solutions emerge to this purported problem. The EA could instead:

- Use electricity industry levies to fund the electricity System Operator to acquire this important information.
- Obligate thermal-fired electricity generators to acquire this information, thereby making it subject to the electricity industry's information disclosure regime.
- Contract in advance to directly acquire this information.



The EA's current proposal would (if acted upon by MBIE and then Parliament) give it the power to acquire the information at no cost to the electricity industry and with no regard to the benefit of anyone other than electricity consumers. This will lead to inefficient cost allocation ultimately borne by gas consumers. We expect the proposal to be well-supported by the electricity industry.

The EA's impact assessment relies on an incorrect assertion

The EA asserts that "...uncertainty increases the opportunity cost of stored hydro and raises supply risk curves" and this will in turn raise electricity prices.

It is incorrect to claim that uncertainty raises the electricity risk curves published by the electricity System Operator. The EA requires the System Operator to assume full availability of fuels and assets (in the absence of information to the contrary). Uncertainty is not an input to the System Operator's deterministic modelling. If there were an important fuel constraint that the System Operator was unaware of, the electricity risk curves would be *lower* than if the System Operator were aware of it. Lower risk curves will tend to slightly reduce electricity prices.

Uncertainty can lead to higher or lower prices than an efficient counterfactual. The outcome depends on traders' expectations of risk (which is always subject to some uncertainty) relative to actual risk.

Contact details

Firstgas Group staff are available to meet with EA staff to discuss the points we have raised in our submission. To arrange this meeting or if you have any questions, please contact me on 027 201 6600 or via email at callum.mclean@firstgasgroup.co.nz.

Yours sincerely

Callum McLean
Senior Policy & Government Affairs Advisor



Attachment 1 About Firstgas Group

Our vision is to lead the delivery of New Zealand's energy in a changing world. Our mission is to safely and reliably deliver energy that's affordable and accessible to Kiwi families and businesses. We're really proud of this and of the important role we play in Kiwis' lives.

Based in New Plymouth, Firstgas Group is an umbrella brand consisting of Rockgas, Firstgas, Flexgas and Gas Services NZ. Firstgas and Rockgas are consumer brands that supply LPG and natural gas to over 165,000 customers through their gas network of over 2,500 kilometres of high-pressure transmission pipeline and 4,800 kilometres of distribution pipeline in the North Island, 36 local LPG suppliers, and over 180 Refill and Save locations across New Zealand.

Flexgas and Gas Services NZ are energy storage, operations and maintenance brands who make sure gas can be delivered safely and continuously. Flexgas operates the Ahuroa gas storage facility in central Taranaki. Gas Services NZ provides operational and maintenance support to all gas infrastructure owners, including the brands within Firstgas Group.¹

New Zealand's homes have benefited from the choice of energy sources to meet their household needs. Currently there are over 400,000 homes in New Zealand who enjoy natural gas and LPG in their homes. These homes predominantly use gas for cooking, instant hot water, and heating. There are many benefits of having gas in the home. Hot water heating is currently the most energy affordable way to heat a home and water.² Gas boilers heats water so that it is instantly available. It requires no onsite storage in the home.

Firstgas is investigating opportunities for using our assets in ways that help to reduce New Zealand's carbon emissions. Our gas transmission and distribution networks cover much of the North Island and are ideally placed to support the development, transfer, and use of emerging fuels such as hydrogen and/or biogas.

Firstgas

rockgas

Flexgas

gas services nz

¹ For more information about Firstgas Group, visit www.firstgas.co.nz , www.rockgas.co.nz , www.flexgas.co.nz

² [Home heating costs in 2020 - Consumer NZ](#)