

Wholesale market information disclosure

Guidelines for participants on wholesale market information disclosure obligations – *review*

Focus group

08 October 2020

Agenda

- Introductions
- Why are we proposing to change the Guidelines?
- Examples and group discussion
- Wrap up

Purpose: to gather stakeholder input on the changes to the Guidelines, in advance of consultation

Please note: these slides are in draft form to promote discussion and do not represent the views of the Authority.

*Guidelines for participants on
wholesale market information
disclosure obligations*

Guidelines

29 May 2018

Wholesale market strategy



COMPETITION • RELIABILITY • EFFICIENCY

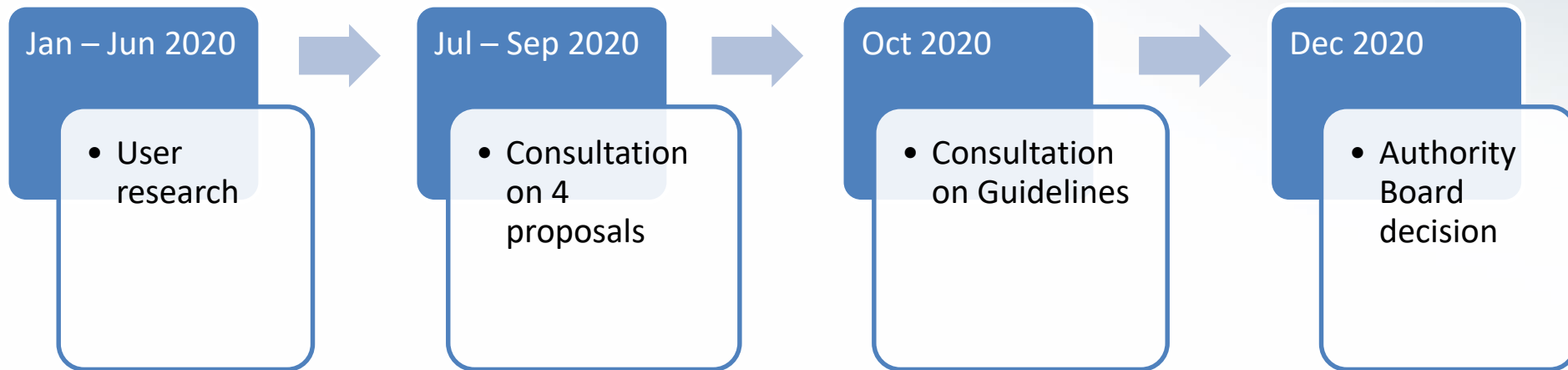
Re-cap: Existing provisions

- **Clause 13.2A(1)** of the Code requires participants to disclose ‘disclosure information’, to the public, free of charge, as soon as reasonably practical after a participant becomes aware of it, unless one of the exclusions in Clause 13.2A(2) applies.
- ‘Disclosure information’ – information that could have a material impact on prices in the wholesale market that is about the participant and held by them.
- Guidelines were developed to support participants to understand their obligations. Includes high-level example of a change in the fuel supply situation.

Other disclosure obligations

- Participants are required to disclose outage information to the system operator under **Schedule 8.3**, Technical Code D of the Code.
- Listed companies also face continuous disclosure obligations to publish anything that may materially impact their share price.

Re-cap: Where are we in the information disclosure review?



Recap: Key proposals

Aim:

Ensure the Code's disclosure requirements are being met

1. Code change – mandatory quarterly reporting of disclosure activities and annual certification by some participants would ensure those participants are considerate of 13.2A obligations and provide information to facilitate monitoring and compliance

2. Update the Guidelines regarding thermal fuel disclosure

to provide greater clarity regarding disclosure obligations and reflect recent developments

Aim:

Make thermal fuel information easier to find and use

3. Raise awareness of existing disclosures eg, via a **disclosure reference webpage** which links to published information and publish a help document

4. **Clarify where parties should disclose information** about their availability being impacted by a fuel constraint eg, via a centralised website such as WITS

Proposal 2: Update the Guidelines

2. Update the Guidelines regarding thermal fuel disclosure

to provide greater clarity regarding disclosure obligations and reflect recent developments

Benefits

- Increased clarity for participants on what to disclose, when
- Improved compliance outcomes
- More standardisation of outage information

- We want to add further examples to the Guidelines to clarify the types of situations where disclosure is warranted.
- These are focused around the different situations where coal and gas supply could impact the availability of electricity generation.
- **Aim:** to improve disclosure of information about availability of thermal fuels for electricity generation, to support participants to stay informed about potential impacts on electricity prices and ensure the forward price curve accurately reflects all the relevant information.

What is the legal status of the Guidelines?

- Guidelines assist participants to understand and comply with their Code obligations.
- Compliance with Guidelines is not mandatory unless stated in the Code, but:
 - they complement Code obligations by reflecting the Authority's interpretation of the Code at the time of publication
 - they may be drawn on as an interpretative source in assessing Code breaches
 - onus is on participants to show how any different interpretation complies with the Code.
- In the current context, the Guidelines will create expectations around what is acceptable disclosure behaviour.

What do the Guidelines currently say?

From Section 6, What is disclosure information?

- The Authority has developed several examples to further assist participants consider their WMI disclosure obligations under clause 13.2A.
- Under normal circumstances, the Authority considers that the following could reasonably be expected to have a material impact on prices in the relevant markets and therefore be disclosure information.
 - *A significant change in fuel supply situation* – examples include buying (or selling) a significant quantity of coal, entering (or exiting) a significant gas contract, or a significant change in fuel storage/stockpile/transport capabilities. Whether the change is significant or not might depend on a number of factors such as the size of the change, the scale and location of the relevant generation, and market conditions at the time (for example, wet/dry, other fuel supply issues).
 - *A significant change in generation capability or mode of operation* – examples include a planned or unplanned outage of generation plant that would result in a significant reduction in generation capability, generation plant returning to service significantly earlier or later than anticipated, a re-rating of asset capability, *etc*
 - *A significant change in electricity contracting position* – examples include entering into, or terminating, a hedge contract, or group of hedge contracts deriving from a single trading decision, that is/are of sufficient magnitude to materially alter spot, ancillary service or hedge market incentives and prices.

What do the Guidelines currently say?

From Section 6, What is disclosure information?

- Under normal circumstances, the Authority considers that the following are unlikely to have a material impact on prices in the relevant markets and are therefore **unlikely to be disclosure information**. The list is not exhaustive:
 - minor adjustments in contracting position
 - minor adjustments in fuel supply position
 - minor maintenance decisions
 - minor changes in outage scheduling
 - minor investment in generation, transmission or ancillary services.

Why are we proposing to update the Guidelines?

- Detailed Guidelines are a useful companion to a principles based regime, like 13.2A is.
- They provide some clarity on **where, when and how** participants should disclose information.
- **Information needing improved disclosure: information about situations when thermal fuel supply could impact the availability of electricity generation (current or future).**
- We want to add further examples to the guidelines to illustrate situations where disclosure is warranted.
- We do not envisage these examples as being overly prescriptive or detailed. They would also not be comprehensive.
- We want to do this because we now know more about the types of situations that could warrant disclosure, and we want to ensure participants are disclosing in these situations.

What about the exclusions?

- We understand this kind of information is inherently uncertain, and the materiality test and exclusions will apply.
- This means disclosure of the following examples wouldn't always occur, if a relevant exclusion applied.
- If the Board decide to progress with the proposed Code change to introduce quarterly reporting of disclosure activities, we would use that data to determine whether participants are using exclusions appropriately.

Where would this disclosure happen?

- Proposal 4 in the consultation paper is to define a centralized disclosure website, where participants should disclose this type of information related to thermal fuels. This could involve the creation of a new website or augmentation of an existing one.
- The Authority will make a decision on whether to progress with that in December. Participant feedback was supportive.
- Before that is decided and launched we would expect participants to primarily disclose this information on their own websites (and/or POCP if relevant).

What could these examples look like?

We propose the following situations could be examples of disclosure information

- **Scenario 1:** A generator's coal stockpile is running low meaning its availability may be restricted in the future.
- *Would this information be likely to be material?*
- *What would be practical to disclose in this situation?*
 - Eg, coal generators should disclose the level of their coal stockpile weekly when it falls below a certain level (eg, 200,000 tonnes)

What could these examples look like?

We propose the following situations could be examples of disclosure information

- **Scenario 2:** A major gas generator has difficulties in sourcing fuel due to a planned gas production outage. The gas production outage has been disclosed by the producer but there is no public information on which gas users will be affected.
- *Would this information be likely to be material?*
- *What would be practical to disclose in this situation?*
 - Eg, a gas generator should disclose the expected availability of the plant if it is impacted by an upstream outage, even if the gas producer has separately issued their own disclosure

What other examples could there be?

- *Would this information be likely to be material?*
- *What would be practical to disclose in this situation?*

Participants could publish the degree of confidence in fuel supply to meet normal operations

(a) Participants report 'traffic light' certainty of having access to sufficient fuel for future horizons

Key

- Low level of confidence of having sufficient fuel for normal operations
- Medium level of confidence of having sufficient fuel for normal operations
- High level of confidence of having sufficient fuel for normal operations

	Certainty of having sufficient fuel for normal operations
Current month	●
Month +1	●
Month +2	●
Quarter +1	●
Quarter +2	●
Year +1	●

(b) Participants report fuel storage volumes and contracted volumes (firm and not firm) for future horizons

Period	Fuel Storage Volumes					Contracted Volumes ⁴				
	Coal	Gas	Hydro			Coal		Gas		Hydro
			P20	P50	P80	Firm	Not Firm	Firm	Not Firm	
Balance Cal 2012	123 GWh	47 GWh	230 GWh	300 GWh	415 GWh	321 GWh	100 GWh	321 GWh	100 GWh	N/A
Cal 2013	N/A	N/A	N/A	N/A	N/A	123 GWh	100 GWh	123 GWh	10 GWh	N/A
Cal 2014	N/A	N/A	N/A	N/A	N/A	123 GWh	100 GWh	123 GWh	10 GWh	N/A
Cal 2015	N/A	N/A	N/A	N/A	N/A	123 GWh	100 GWh	123 GWh	10 GWh	N/A

Taken from WAG recommendations, 2012

These examples are under development and provided for illustrative purposes only

Thank you for participating

The consultation on Guidelines is planned for 20 October – 2 November 2020.
We'll use the information we've discussed today to inform that consultation.

We encourage you to respond.

Any questions: WMID@ea.govt.nz

The Board will consider a decision paper in December to approve the updated Guidelines following consultation and to progress the other two proposals (Code change to require reporting and centralised disclosure website).

Potential changes to existing text

- The Authority has developed several examples to further assist participants consider their WMI disclosure obligations under clause 13.2A.
- Under normal circumstances, the Authority considers that the following could reasonably be expected to have a material impact on prices in the relevant markets and therefore be disclosure information.
 - *A significant change in fuel supply situation* – examples include buying (or selling) a significant quantity of coal, entering (or exiting) a significant gas contract, or a significant change in fuel storage/stockpile/~~transport capabilities~~. Whether the change is significant or not might depend on a number of factors such as the size of the change, the scale and location of the relevant generation, *extent to which the change affects aggregate total thermal fuel contracted for generation*, and market conditions at the time (for example, wet/dry, other fuel supply issues).
 - *A significant change in generation capability or mode of operation* – examples include a planned or unplanned outage of generation plant that would result in a significant reduction in generation capability, generation plant returning to service significantly earlier or later than *previously notified anticipated*, a re-rating of asset capability, etc
 - *A significant change in electricity contracting position* – examples include entering into, or terminating, a hedge contract, or group of hedge contracts ~~deriving from a single trading decision~~, that is/are of sufficient magnitude to materially alter spot, ancillary service or hedge market incentives and prices.