



3 November 2020

Electricity Authority
Level 7, Harbour Tower
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Wellington

By email: WMID@ea.govt.nz

Review of Thermal Fuel Information Disclosure – Guidelines Consultation

Meridian appreciates the opportunity to provide feedback on the Electricity Authority's proposal to update the *Guidelines for participants on wholesale market information disclosure obligations* (the Guidelines).

Meridian strongly supports the proposed changes to the Guidelines, in particular the addition of examples of disclosure information relating to thermal fuels (paragraph 6.28) and the addition of examples for standardised disclosure practices for thermal fuels (paragraphs 10.6 to 10.9). Meridian considers paragraph 6.28(b)(v) to be particularly useful:

“Where a thermal generator is impacted by an upstream fuel production or transport outage, the Authority considers electricity industry participants should disclose the impact on their operations, if the upstream outage is likely to have a material impact on prices. The Authority considers disclosure from upstream gas producers of a gas production outage without any insight into the effect on thermal generation is not necessarily sufficient for participants to understand the overall impact of that outage on the electricity sector.”

We have heard from some electricity industry participants that hold information on thermal fuel for generation that they consider disclosure from upstream gas producers to be enough to meet disclosure obligations in the Code. The Authority should not need to correct this misconception but, given the limited thermal fuel disclosures made to date, we are pleased it has. Thermal fuel markets are diverse and understanding the overall supply and demand balance at an industry level does not tell electricity market participants anything about what is available for generation (as opposed to say methanol production).

Meridian notes that, while positive, these are only changes to guidelines and are rightly part of an overall reform package aimed at improving thermal fuel information disclosure. Meridian would not want to see focus diverted from the need to implement a regulated information disclosure regime for the gas industry. There has been very little progress on this aspect of reform. As mentioned in our submission to the Gas Industry Company (GIC) on 9 December 2019, Meridian would like to see more rapid progress towards a comprehensive regulated regime for gas industry participants.¹ In Meridian's opinion such a regime would be one of the most effective ways to address thermal fuel information disclosure issues, reduce information asymmetry, lead to more informed decision making and increased efficiency and confidence in the wholesale electricity market.

Finally, Meridian notes that there may be more fundamental issues with the Code that cannot be addressed by improvements to the Guidelines. For example, it is not clear that electricity market participants that hold thermal fuel information are appropriately applying the exclusions in the Code. Meridian supports the Authority gathering information on whether this constitutes a problem to be addressed by Code changes. However, we reiterate our concerns with the Authority's suggestion in the recent consultation paper that the Authority might impose broad monthly reporting and annual certification requirements on *all* major participants, not just those that might hold thermal fuel information. Meridian suggests that the Authority should instead consider issuing an information request under section 46 of the Electricity Industry Act 2010 to monitor thermal fuel users' reliance on the exclusions in clause 13.2(A)2 of the Code.² The exclusions are subject to interpretation and each situation has its own unique set of facts so Meridian suggests that issuing a targeted request to thermal fuel users, and assessing the situation after 12 months, would be an effective way to assess whether any further change is required to the Code.

Please contact me if you have any queries regarding this submission.

Yours sincerely



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¹<https://www.gasindustry.co.nz/assets/Consultations/Uploads/Meridian-Submission-Information-Disclosure-Problem-Assessment2.pdf>

²<https://www.ea.govt.nz/assets/dms-assets/27/27342Meridian-redacted-version-WMID-submission.pdf>