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Submission on Wholesale Market Information Disclosure: Review of Thermal Fuel Information Disclosure

Thank you for the opportunity to comment on the Electricity Authority's "Wholesale Market Information Disclosure: Review of Thermal Fuel Information Disclosure" consultation paper (the Consultation Paper). This submission is made on behalf of Gas Industry Co, the industry body under the Gas Act 1992.

This submission does not contain any confidential information.

Gas Industry Co and Electricity Authority collaboration

Gas Industry Co and the Electricity Authority ("the Authority") have been working collaboratively on information disclosure matters across the energy sector, including the information that is the topic of this paper and a range of information elements in our information disclosure workstream.

Information on thermal electricity generators' gas positions was an information element reviewed in Gas Industry Co's Problem Assessment paper. Gas Industry Co and the Authority agreed that this issue should be progressed by the Authority, and we have been working together closely on this issue.

Summary of Gas Industry Co's information disclosure workstream to date

In August 2018, Gas Industry Co established an information disclosure workstream to address potential information issues relating to information availability in the wholesale gas sector. As part of the workstream we are considering whether current market arrangements related to information disclosure in the sector are sufficient or whether further arrangements are required.

Gas Industry Co released the Options for Information Disclosure in the Wholesale Gas Sector consultation paper (Options paper) in March 2019. That paper discussed various information matters and identified several possible information areas, or 'information elements', where there may be problems with information transparency and asymmetry. From the consultation process

we distilled 10 distinct information elements to carry forward to a formal problem assessment phase.

The 10 information elements were the focus of the Information Disclosure: Problem Assessment consultation paper (Problem Assessment Paper), released in October 2019. That paper assessed these elements against the Government's policy objectives for the gas sector.

Based on the Problem Assessment Paper, Gas Industry Co is progressing further work in the following three areas:

- A statement of proposal (SOP) for gas production and storage facility outage information disclosure. The SOP will review both industry-led and regulatory options for improving the level of this information that is disclosed publicly.
- A follow-up paper on major gas user outage information. This paper will explore issues in further detail with the aim of reaching a conclusion on the matter.
- A follow-up paper on bilateral gas contract average price and volume information. This paper will assess whether weighted average gas prices and volumes will give a better understanding of the drivers of the wholesale gas price.

Comments on this Consultation Paper

We believe that responses to the specific questions in the Consultation Paper are more appropriately left to other interested parties. However, we do wish to make two high level observations around the overall approach and the importance of gas market structure.

Overall approach

We agree with the Authority's view that additional information disclosure requirements in relation to thermal fuels should only be imposed if the additional information provides significant value to market participants. The Authority's analysis in the Consultation Paper is underpinned by an assessment of the value of additional disclosure (i.e. whether there is a benefit to the market) against the impact of disclosure on industry participants (i.e. any costs of disclosure). It is not enough that additional thermal fuels information disclosure is "of interest" to some parties. We believe that this is well captured at paragraphs 3.25 and 3.30 of the Consultation Paper.

We believe that the Authority has adopted the correct approach to its assessment of whether additional disclosure is necessary.

Importance of market structure

The Consultation Paper notes the complexity of the gas industry and the challenges for electricity industry participants to interpret gas market information and determine the impact of that information on their own positions or the electricity market as a whole.

We agree that, like the electricity industry, the gas industry is complex.

As is noted in the Consultation Paper, steps are being taken to address the availability of information in the gas industry. For example:

- 1. Gas Industry Co's information disclosure workstream.
- 2. The Upstream Gas Outage Information Disclosure Code ('Upstream Gas Outage Information Disclosure Code 2020') developed by gas producers and gas storage owners. Parties have been posting outage notifications under the Code since June. Gas Industry

- Co will evaluate this Code along with other possible industry-led and regulatory options as part of its information disclosure workstream.
- 3. Gas Industry Co is continuing to develop an information portal on its website. The intention is that this will be a one-stop place for parties to access publicly available gas sector information. Information on the portal currently includes gas production and major user consumption charts (updated three times a week) and monthly Ahuroa storage information.

While the above steps will enhance the availability and accessibility of gas market information, the value of this information for non-gas industry parties may be further enhanced if those parties have a good understanding of the overall structure of the gas market, and how the gas market interacts with the electricity market.

The Consultation Paper references the need for an education piece regarding the physical and economic characteristics of the gas supply chain and its impact on the electricity market. Gas Industry Co would be happy to support the Authority's efforts in this regard.

Conclusion

We look forward to continuing our positive engagement with the Authority on our respective information disclosure workstreams.

Yours sincerely

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