

27 June 2019

Andrew Knight
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Sent via email: andrew.knight@gasindustry.co.nz

Dear Andrew

Options for information disclosure in the wholesale gas sector

First Gas Limited welcomes the opportunity to make a cross-submission to the Gas Industry Company (GIC) on the "*Options paper for information disclosure in the wholesale gas sector*".

We focus our comments on two areas:

- Our view remains that the main information gaps relate to planned and unplanned outages at major gas production and user facilities. The information disclosure regime should focus on these gaps in the first instance; and
- It is encouraging to hear that industry players are working with the GIC on a voluntary solution for information disclosure. However, we believe a regulatory solution is still required.

Information disclosures should focus on planned and unplanned outages

The options paper considered various gaps of information believed to be affecting the efficiency and effectiveness of the gas industry and the wider New Zealand economy. Our view remains that the main information gap in the gas market relates to planned and unplanned outages at major gas production and user facilities. This should be the immediate focus of any disclosure regime.

We agree with other submitters¹ that there is a perception that the information available to the gas industry participants and interrelated markets is asymmetric. This information asymmetry, whether real or not, is believed to be affecting the efficiency and effectiveness of the market. While more outage information may not be the panacea to all issues, it may remove the perception of information asymmetry affecting the market. We agree with OMV that there is a potential benefit in introducing a simple regime which provides for consistent disclosure of outage information."²

Disclosure should be limited to participants that can affect the market

The options paper asked who should be subject to an information disclosure regime. We agree with submitters that only those participants that can influence the market should be subject to information disclosure. It seems sensible to only require outage information where and when it may affect the gas market or inter-related industries and markets.

We believe the threshold level for disclosure may require further discussion, as information disclosure requirements for outages are defined. For example, whether the information should be site-specific or company-specific. As noted by Fonterra, an unplanned interruption at one of its sites, may not significantly affect its total use of gas. "An unplanned outage would likely occur at only one site so the impact on gas usage may be below a notification threshold. Depending on the duration of the outage and time of the dairy season, the milk could be processed at another site, so the total volume of gas consumed could be unchanged."³

¹ For example, page 2, EMS Tradepoint submission, 17 April 2019.

² Page 2, OMV submission, 17 April 2019.

³ Page 2, Fonterra submission, 17 April 2019.

Voluntary disclosure a pragmatic short-term solution till regulated option introduced

First Gas has some reservations about the effectiveness of a voluntary solution but as we submitted, we consider this to be a pragmatic option in the short-term⁴ until a regulated option can be put in place.

We understand that Petroleum Exploration and Production New Zealand (PEPANZ) has engaged with the GIC directly to begin a process of working towards a voluntary model for disclosing information on planned and unplanned outages, with a focus on events of materiality to the market and major users. We support this initiative started by PEPANZ and encourage the GIC to widen the discussion to include other participants in the industry. An approach we have found useful is industry workshops, such as those led by the GIC during the development of the Gas Transmission Access Code.

We consider the voluntary disclosure approach could be an effective precursor to a regulated option based on prescribed rules. Developing and working within a voluntary model would provide industry participants with time to identify how they can meet the information requirements. The GIC could also monitor and report on the uptake of the voluntary disclosure option to gauge the effectiveness of the disclosure before moving to the regulated option.

Optimal benefit will come from clearly defined information gaps

For a disclosure regime to be successful, there must be agreement on where the information gaps are and how to minimise any negative impact on participants.

We recommend that the GIC develop a clear view of what is the minimum level of detail required for outage disclosures. This may alleviate the concerns participants may have or generate conversation to minimise any negative effects of disclosure. For example, Methanex raised concerns about the commercial sensitivity of their outage information. There may be options that participants or the GIC could suggest alleviating this concern and still meet information needs of the industry.

The benefit of any additional information disclosure must outweigh any additional costs. In our submission, we highlighted the extensive amount of information First Gas already supplies and the information available on OATIS (and in the future on TACOS)⁵. PEPANZ also reminded the GIC that electricity generators are already required by the Electricity Authority to disclose information about any significant change in fuel supply, including gas. The GIC should leverage off this information when considering what may be required in the future.

Contact details

We look forward to working further with the GIC and industry to progress information disclosure. If you have any questions regarding this submission, please contact me on 027 472 7798 or via email at karen.collins@firstgas.co.nz.

Yours sincerely



Karen Collins
Regulatory Policy Manager

⁴ Page 4, First Gas submission, 24 April 2019.

⁵ OATIS is the information system supporting the current transmission access codes. The new gas transmission access code (GTAC) comes into effect from 1 October 2019. At that time TACOS will replace OATIS as the information system to support GTAC.