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By email: paul.cruse@gasindustry.co.nz

Information Disclosure: Problem Assessment

Dear Paul,

Thank you for the opportunity to comment on the *Gas Disclosure: Problem Assessment* consultation paper. Greater transparency of gas information is a pressing priority for both the gas and electricity sectors.

Genesis Energy has commercial interests across the natural gas value chain. We are New Zealand's largest retailer of natural gas, a major stakeholder in one of the country's largest gas fields (Kupe), and generate electricity from thermal and renewable sources.

The Gas Industry Company is to be commended for progressing this crucial workstream. Genesis welcomes the care and consideration that has gone into the process to date, and urges the GIC to advance this programme to implementation without delay.

Issues

As we set out in our submission (**attached**), mandatory disclosure of planned and unplanned outages of gas production and storage infrastructure is critical. Interruptions to gas supply have had significant impacts on the electricity market over the past 18 months, and are likely to remain an issue given the declining deliverability of existing gas fields.

Genesis acknowledges and welcomes the efforts of upstream producers to formulate a voluntary disclosure code. However, we remain of the view that a mandatory regime is the most appropriate solution.

Genesis notes the views of some participants regarding the disclosure of thermal generators' fuel books. This is neither practical nor desirable. As we set out in our submission, disclosure of generators' (potential) gas position would in fact contribute to confusion concerning the availability of natural gas and result in electricity market participants taking decisions based on incorrect and/or out of date information.

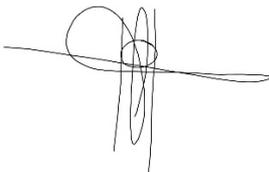
Contact

Genesis welcomes the opportunity to work with the GIC and other participants on improving the quality and accessibility of information concerning the availability of natural gas.

We are committed to the improvement of the current arrangements, and are happy to assist the GIC to design a formal regime. Improving the level and quality of information around natural gas supply is a pressing concern, and we urge the GIC to progress this work as a priority.

If you wish to discuss any of the issues contained in this submission, please contact me by email: matt.ritchie@genesisenergy.co.nz, or by phone: 027 204 3864.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Matt Ritchie', with a long horizontal line extending to the right.

Matt Ritchie

Senior Advisor, Regulatory Affairs and Government Relations

Information Disclosure: Problem Assessment

Submission prepared by: Matt Ritchie on behalf of Genesis Energy

Question	Comment
<p>Q1: <i>Do you have any comments on our approach to the analysis?</i></p>	<p>None.</p>
<p>Q2: <i>Have we identified all of the relevant information elements in this list?</i></p>	<p>The GIC has identified all of the key information elements that should be captured.</p>
<p>Q3: <i>Do you agree with our assessment for gas production outage information? Have we missed aspects of the issue or are there parts that have not been described correctly? Please include details and any examples in your response.</i></p>	<p>Genesis agrees that there are issues with the lack of disclosure of gas production outage information, and that this should be included in a Statement of Proposal. Disclosure of relevant producer outage information would significantly improve and address information asymmetry in the gas market and address concerns expressed by mid- and downstream market participants.</p> <p>We remain of the view that producer (planned and unplanned) outage information is the key issue for the Gas Industry Company to address in relation to information disclosure, and urge the GIC to progress this element without delay.</p> <p>Genesis has engaged with producers on their proposed voluntary code, having provided feedback in November. Producers are to be commended for taking the time to address this issue and their work on a voluntary solution.</p> <p>However, Genesis remains of the view that a voluntary solution is unlikely to be sustainable over time, due to the reluctance of some participants to disclose outage information. It is instructive that the process of developing a voluntary code did not begin until the Government communicated that information disclosure is a priority, and regulatory workstreams commenced.</p> <p>Furthermore, a rules-based regime is likely to be required to ensure that the nature of information disclosed is appropriate for the purposes of properly informing the market. For example, the thresholds for disclosure set out in the proposed voluntary code are too high to meet the needs of electricity generators.</p> <p>Genesis suggests an information disclosure regime for gas producers that would publish:</p> <ol style="list-style-type: none"> 1. the existence of an outage, 2. its likely duration if known (could be a range of possible scenarios), and 3. the extent of the constraint (e.g. X TJ per day). <p>It would also be useful to provide some context for the outage event, for instance the reason for the outage and the level of certainty of the information provided.</p>
<p>Q4: <i>Do you agree with our assessment for major gas user facility outage information? Have we missed aspects of the issue or are there parts that have not been described correctly? Please include details and any examples in your response.</i></p>	<p>The GIC identifies the impact of a lack of disclosure around major gas user facility outages on the efficient operation of the emsTradePoint market. The problem assessment also covers wider market impacts, that arise due to the volume of gas large users consume.</p> <p>Genesis considers both of these issues are material, and would be ameliorated by a requirement for major gas users over an appropriate threshold to be required to publish notifications of planned and unplanned outages. As a general principle, an information disclosure regime will be most effective where it captures all participants whose behaviour can impact market prices.</p>

	<p>Major demand sources can materially impact the gas market when they come on or offline. Reductions in demand at major users' facilities impact the price and availability of gas, and this is particularly true in the tight market conditions that currently prevail and are expected to persist. Participants will have greater confidence in the market, and be able to make better decisions, if they are notified of when the supply/demand balance is likely to materially change due to outages from major users.</p> <p>Thermal generators including Genesis already disclose outages at their facilities via the Planned Outage Planning Protocol (POCP), to meet obligations under the Electricity Industry Participation Code 2010. It would be relatively simple to include this information in a gas information disclosure regime.</p> <p>We acknowledge Methanex's view that a disclosure regime may compromise its competitive position, given the absence of similar regulations internationally and the opacity of the methanol market generally. However, as the country's largest single gas user Methanex's operations have very significant impacts on the operation of gas market in relation to price and supply. An effective disclosure regime will need to include information that drives major market shifts. We would be open to discussing a solution that mitigates Methanex's business risks arising from disclosure, while still ensuring the appropriate level of information is available to the market.</p> <p>Genesis agrees with the GIC's assessment that the risk profile for major user outages is different from that of producers. As noted earlier, gas production outages have the greatest impact on the efficient operation of the market and should therefore be the GIC's top priority in relation to information disclosure.</p>
<p><i>Q5: Do you agree with our assessment for gas storage outage information? Have we missed aspects of the issue or are there parts that have not been described correctly? Please include details and any examples in your response.</i></p>	<p>Genesis agrees with the GIC's conclusion that issues in relation to information disclosure of gas storage facilities (currently Ahuroa) are comparable to those for gas production facilities. This is reflected by the inclusion of Ahuroa outages in the voluntary information disclosure code proposed by gas producers.</p> <p>Accordingly, we agree that information disclosure around outages at gas storage facilities should be included in a Statement of Proposal for information disclosure in the gas wholesale market, and these facilities should be treated in the same way as production facilities.</p>
<p><i>Q6: Do you agree with our assessment for transmission pipeline outage information? Have we missed aspects of the issue or are there parts that have not been described correctly? Please include details and any examples in your response.</i></p>	<p>Genesis agrees with the GIC's assessment that there are no major issues with information disclosure relating to gas transmission.</p> <p>What issues there are will likely be relieved by the implementation of the Gas Transmission Access Code and related IT systems.</p> <p>However, we urge the GIC to maintain a watching brief on the level and quality of information available, and the usability of that information in light of the accessibility issues that have traditionally been associated with information disclosed through the OATIS platform. Should disclosure of information regarding transmission pipelines emerge as an issue the GIC may wish to revisit the current position.</p>
<p><i>Q7: Do you agree with our assessment for contract price and volume information? Have we missed aspects of the issue or are there parts that</i></p>	<p>Genesis agrees with the GIC's proposed rejection of publishing weighted average prices and volumes from bilateral gas contracts. The GIC is right in concluding that the contract-specific terms often inherent in these agreements mean any aggregated and anonymised data would be of limited use. Conversely, increasing the depth of information to include contract or other terms risks identifying participants and/or jeopardising their commercial position in the present and in</p>

<p><i>have not been described correctly? Please include details and any examples in your response.</i></p>	<p>future negotiations. We do not think this element should be included in a Statement of Proposal.</p>
<p>Q8: <i>Do you agree with our assessment for emsTradePoint price & volume information? Have we missed aspects of the issue or are there parts that have not been described correctly? Please include details and any examples in your response.</i></p>	<p>Genesis agrees that requiring emsTradePoint to disclose additional information to what it already provides should not be included in a Statement of Proposal. We note emsTradePoint now publishes volume weighted average price, Frankley Road natural gas monthly index, and Frankley Road natural gas quarterly index data. Additional data is available to subscribers for what is, on balance, a modest fee.</p> <p>We would welcome a commitment from emsTradePoint that the level and terms of information disclosure will not change in the absence of a meaningful consultation exercise.</p> <p>While Genesis would welcome further disclosure, the case for intervention is not sufficiently strong while emsTradePoint continues to make the existing level of information available.</p>
<p>Q9: <i>Do you agree with our assessment for gas storage facilities information? Have we missed aspects of the issue or are there parts that have not been described correctly? Please include details and any examples in your response.</i></p>	<p>Genesis agrees there are issues with the level of information currently available in relation to the Ahuroa gas storage facility. As noted earlier, issues associated with information around the storage facility are similar to those that apply to gas production facilities. We also agree with the GIC's conclusion the flexibility Ahuroa provides is likely to become more valuable to the market given the decline in existing gas fields. This will likely be of value to electricity system participants.</p> <p>However, Genesis notes that users of the storage facility may wish to deploy the stored gas for a variety of applications, and it is important not to conflate gas stored at Ahuroa with gas available for generation (baseload or peaking). This holds regardless whether the users of Ahuroa are electricity generators or not.</p> <p>Given the potentially complex nature of contracting arrangements at Ahuroa – due to the number of counterparties and its inherently flexible and dynamic operating range – Genesis envisions arriving at a regulatory solution to greater transparency at Ahuroa could be difficult.</p> <p>As noted earlier, we consider outage information around gas production facilities to be the highest priority in relation to a new disclosure regime. Accordingly, we would seek to avoid delaying a more robust disclosure regime for gas production due to the difficulties in including Ahuroa in such a scheme.</p> <p>Including Ahuroa as an information element in a Statement of Proposal therefore need not be prioritised at this time. We urge the GIC and First Gas to work with industry to find an interim solution - potentially the publication of QRSS data already prepared for MBIE as set out in GIC's paper - while the more pressing elements of a rules based disclosure system are progressed without delay.</p>
<p>Q10: <i>Do you agree with our assessment for gas production forecast information? Have we missed aspects of the issue or are there parts that have not been described correctly? Please include details and any examples in your response.</i></p>	<p>Genesis agrees that it is not necessary to include this element in a Statement of Proposal, given MBIE already collects and publishes forecast production information.</p> <p>However, As stated previously, Genesis views greater transparency and broad access to relevant information as beneficial to operation of the market. Accordingly, more timely publication of existing information regarding forecast gas production is desirable. Genesis is supportive of the GIC working with MBIE to improve the usefulness of the information currently collected.</p>

	<p>Although improved access to forecast production information would be useful, Genesis agrees with the GIC’s assessment that:</p> <p><i>If there is a reduction in gas production (for example), it is not a given that electricity generation would be affected. This would depend on the nature of bespoke GSAs between producers and a variety of customers that include electricity generators, and the relative economics of different types of gas demand. The implication of this is that gas production levels may not be a particularly useful proxy for the amount of gas available for thermal generation plants (at least not in isolation).¹</i></p> <p>This is also true of gas contracted to participants with generation businesses, who are also gas traders and retailers. That is, gas contracted to participants with thermal generation assets is not synonymous with gas available for generation at any point in time for a range of commercial and physical reasons. This point is expanded on further in relation to disclosure of the gas position of thermal generators – which we do not support.</p>
<p>Q11: <i>Do you agree with our assessment for thermal electricity generator gas position information? Have we missed aspects of the issue or are there parts that have not been described correctly? Please include details and any examples in your response.</i></p>	<p>Genesis does not believe it is practical or appropriate for thermal electricity generators to disclose their gas fuel book.</p> <p>The rationale for this suggestion appears to be that it would provide the System Operator and other participants greater visibility of available electricity generation capacity. As we have set out in previous submissions, the gas that is available for generation on any particular day is dependent on the demand requirements of all our customers, including large wholesale customers who have the ability to change their demand (nominations) at relatively short notice. Similarly, cases could arise where we disclose a short gas position ahead of time, only to secure fuel for generation opportunistically when the market supports such a trade. Our trading/fuel position changes unpredictably. Therefore, information can quickly become out of date and disclosure requirements would expose us to the risk of unintentionally misleading the market.</p> <p>Furthermore, decisions on how and when to operate our various generation assets are determined by a wide range of factors. Availability of gas may provide the option to run thermal plant, but whether this option is taken up depends on overall electricity market conditions (price, demand, weather forecasts, hydro storage levels, availability of other generation plant and alternative fuel etc), and our other commercial commitments.</p> <p>In practice, from an electricity market perspective, disclosure of our gas position would likely lead to participants making trading decisions based on incorrect information. This is clearly undesirable and runs counter to some of the key justifications for a disclosure regime.</p> <p>Our decision making in relation to the use of fuel forms part of a commercially sensitive trading strategy. We would be concerned if there was a suggestion any participant be required to disclose commercially sensitive and confidential information regarding their trading strategy which could potentially raise competition related concerns in the wholesale market.</p> <p>Genesis already provides considerable visibility of the availability of our generation assets through the POCP system, as per our requirements as an electricity market participant. Genesis also discloses information about our long-term gas contract position (and coal stockpile) in quarterly reports that are available on our public website. This information, combined with disclosure of gas</p>

¹ <https://gasindustry.co.nz/work-programmes/gas-sector-information-disclosure/problem-assessment-october-2019/>

	<p>production and storage outages, will provide a firm basis on which participants in the gas and/or electricity markets can make decisions.</p> <p>We are of the view that, while the current disclosure regime has room for improvement, there is a substantial amount of information available on which participants can make decisions. Public statements from some non-integrated electricity retailers in relation to gas market disclosure create the impression there is either a lack of awareness of what information is available, or a lack of sophistication in its interpretation, or both.</p> <p>This view is reinforced by the findings of the Electricity Authority, following its investigation of an Undesirable Trading Situation² (UTS) which concluded in February. The Authority found the prevailing conditions during last spring's Pohokura gas field outage did not constitute a UTS, and raised concerns <i>that participants are not using all available sources of information relevant to the wholesale market, and in particular gas supply. We are also concerned that some relevant information is difficult to find and interpret</i>³.</p> <p>These findings align With Genesis' assessment of the difficulties of certain participants. We would encourage participants who find it difficult to identify and interpret information relating to electricity generation to consider whether they have dedicated the appropriate level of resource to this task.</p>
<p>Q12: <i>Do you agree with our assessment for major users' forecast gas consumption information? Have we missed aspects of the issue or are there parts that have not been described correctly? Please include details and any examples in your response.</i></p>	<p>Genesis agrees that this element should not be included in a Statement of Proposal. Forecast consumption information for large users can reasonably be considered to be commercially sensitive, and it is therefore inappropriate to include this in a disclosure regime. Genesis also envisions this information would be subject to change depending on a range of commercial factors and its changeability could make it of limited use.</p> <p>Should the GIC proceed with including major user outage information in the disclosure regime, we feel this should provide sufficient transparency for informed decision making. We note that this would also introduce consistency to the regime across electricity generators (who disclose their facility outages through POCP) and other classes of major user.</p>

² <https://www.ea.govt.nz/code-and-compliance/uts/undesirable-trading-situations-decisions/15-september-2018/>

³ Ibid. P. 46