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Draft Statement of Proposal: Gas Production and Storage Facility Outage Information

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Question	Comment
Q1 Do you agree with the regulatory definition? Please provide reasons supporting your views.	Genesis agrees with the regulatory definition.
Q2 Do you agree with the information disclosure options for gas production and storage facility outage information that have been identified? Please provide reasons for your views.	Yes. The first option is the status quo and the second is a regulatory solution. Genesis' preference is for a regulatory solution, and it is sensible to build on the existing voluntary regime rather than start from scratch.
Q3 Are there other options that you think should be considered in this process?	Genesis considers that the options identified in the paper are logical to focus on.
Q4 Do you agree with our assessment of the Upstream Gas Outage Information Disclosure Code 2020 as an option for achieving the regulatory objective? Please provide supporting arguments for your views.	<p>Genesis agrees with GIC's assessment overall. The introduction of the Upstream Disclosure Code has resulted in a material improvement to the volume and quality of information available to gas market participants, and those in related in markets such as electricity. We commend producers for taking the initiative to put the Code in place. The usefulness of the Code has been demonstrated on numerous occasions since its introduction, most notably in relation to the ongoing deliverability issues and associated maintenance at Pohokura.</p> <p>However, Genesis agrees that several features of the Code render it insufficient to meet the regulatory objective: <i>that arrangements are in place that ensure the effective and timely availability of gas production and storage outage information for all gas and related market participants.</i></p> <p>Genesis considers that the main features of the Code that contribute to it being unfit for meeting the regulatory objective are:</p> <ul style="list-style-type: none"> that the structure of the Code as a multilateral agreement between producers and gas storage owners means that the Code can only be enforceable between those parties and limits the role of affected parties in changes to the Code;

		<ul style="list-style-type: none"> • that the voluntary nature of the Code creates a heightened risk of non-compliance because there are no material consequences for failure to disclose; • that there are limited incentives for gas producers to comply with the Code (or, perhaps more appropriately, limited disincentives for non-compliance), and; • that the nature of the gas market means it is practically impossible to determine compliance.
Q5	<p>Do you agree with the design of this regulatory option? Are there parts of design that require amendment? Please provide supporting information in your response.</p>	<p>Genesis agrees that a rules-based approach is appropriate for a disclosure regime for gas production and storage, as opposed to a principles-based regime as applies to the electricity market and NZX-listed firms. Genesis operates in both the electricity and securities markets and thus we are experienced in complying with principles-based systems. While these systems are appropriate for the securities and electricity markets due to their diversity on the supply and demand sides, a rules-based system with clearly defined disclosure thresholds is appropriate for the smaller and less dynamic gas market.</p> <p>Using the existing voluntary code as a starting point is a sensible approach and the best use of resources.</p> <p>Genesis agrees with the proposed de minimus thresholds that producers or storage facilities must meet before the rules apply. However, the proposed thresholds for planned and unplanned outages are too high to minimise the potential for information transparency and asymmetry issues.</p> <p>In our experience as a trader of natural gas, an electricity generator that relies on the fuel, and a trader in the spot and futures electricity markets, unplanned interruptions in supply of more than 5 TJ/d can impact upon participants' trading positions and, depending on gas and electricity market conditions and other means of addressing the impact of this gas loss at the time, could also impact electricity futures prices. Therefore, when we set disclosure thresholds, we should be mindful of the impact that relatively small changes in one market can have on ancillary markets, such as the ASX. This is particularly true in the case of unplanned or short-notice planned outages over an extended period. There is a case for having a higher threshold for planned outages due to the time affected parties have to react.</p> <p>Genesis urges GIC to reconsider the proposed thresholds to ensure the regime is effective. We suggest thresholds of 5 TJ/d for planned and unplanned outages. These thresholds should apply across production and storage facilities.</p>
Q6	<p>Do you agree with our conclusion that the most practicable means for implementing information disclosure arrangements for gas production and storage facility outage information is to implement them within a framework of regulations (and/or rules) under the Gas Act? Please provide supporting</p>	<p>Genesis considers GIC is best placed to make decisions on the practicality of mechanisms to introduce and operate the disclosure regime, but introducing regulations/rules under the Gas Act appears to be a logical approach.</p>

arguments in your response.