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Support for the GIC's Gas Information Disclosure problem definition

Haast Energy Trading (Haast) welcomes the opportunity to submit on the GIC consultation paper "Information Disclosure: Problem Assessment", October 2012.

We recognise the importance of fully understanding the problems with the current Information Disclosure arrangements prior to determining or finalising upgrades to the disclosure regime. Haast considers that the GIC and other stakeholders, including the Electricity Price Review, have established a robust basis for determining mandatory new Gas Information Disclosure requirements should be introduced, particularly in relation to planned and unplanned outages.

The previous criticisms by Greymouth Gas, OMV, PEPANZ and Todd that the GIC had not provided an adequate problem definition were exaggerated. It appears this was simply posturing aimed at avoiding or delaying introduction of new disclosure requirements. The incumbent gas operator comments should be seen in light of the absence of any problem definition in the PEPANZ' consultation on its proposed voluntary Gas Information Disclosure Code.

Any limitations with the previous GIC problem definition were more than adequately addressed by other submitters. We are glad to see the GIC has drawn on the previous submissions and cross-submissions to further develop its thinking on problem definition.

Our submission does not dwell in detail on the problems with the current disclosure regime, submissions mirroring our views shave already been well made by various stakeholders. Our previous cross-submission to the GIC provided a summary of the submission commentary on problem definition which aligned with our own views.

Summary of Haast Energy's views on the need for introduction of new mandatory Information Disclosure requirements

- The GIC's previous consultation (and submissions) had already provided clear details of the problems with current lack of disclosure requirements for gas outages. The Problem Definition consultation confirms and builds on these views.

- We remain fully supportive of MBIE's proposal to introduce additional regulation/rule making powers in the Gas Act to enable broader disclosure of information from the gas industry.[1]

- We remain fully supportive of the introduction of broader, disclosure requirements for gas outages (planned or otherwise), and other information, that may impact the wholesale electricity market. We note there is widespread support for disclosure of planned and unplanned gas outages, including from

[1] MBIE, Discussion Document, Options for amending the Gas Act 1992, May 2019, question 9.

emsTradepoint, First Gas, Flick Electric, Genesis, MEUG, Mercury, Meridian, MGUG, OMV, Transpower, Trustpower and Vector. We support these submissions.

- The Expert Advisory Panel undertaking the Government's Electricity Price Review (EPR) detailed well the issues which arose due to disruption to gas supplies from outages at the Pohokura field and that "no generator-retailer shared any specific information that gas fuel shortages were coming".[2]

- We do not consider voluntary Information Disclosure would meet the Government's recent energy reform announcement that the Electricity Authority and GIC will be directed to adopt the recommendations of the EPR Panel to improve their respective Information Disclosure regimes.

- Consistent with submissions made both to the GIC and MBIE on Gas Information Disclosure, a voluntary set of arrangements would, at best, serve as a transitional arrangement until a properly developed mandatory Information Disclosure regime is put in place.

- The PEPANZ proposal for a voluntary Gas Information Disclosure Code was substantially deficient. While we made some recommendations for how the proposed voluntary regime could be materially improved, there are issues that cannot be readily resolved under a voluntary set of arrangements, including how to deal with existing contract limits on what can be disclosed and what has to be treated as confidential and commercially-sensitive.

Disclosure of outages (planned and unplanned) is essential

The requirements need to provide for urgent and immediate disclosures to avoid information asymmetries between market participants, and the types of problems evident from the Pohokura gas field outages. We support disclosure of outages including:

- We support the GIC view that gas production and gas storage outage information should be included. We agree "an outage at Ahuroa could be similar to a production outage in its effect on the wholesale market (particularly once the Ahuroa expansion is completed)".

- We consider it would be desirable to include disclosure of the quantity of stored gas and the amount of available storage capacity in the Ahuroa storage facility. The efficacy of gas storage disclosure would be lessened without details of the stored gas and available capacity. We note the GIC's observation "Gas storage information is included as part of the information disclosure regime in all of the countries Gas Industry Co reviewed in the Options Paper". We also note that in a workably competitive market it would be reasonable to expect suppliers to provide information on the availability of their product.

- We consider it would be desirable to include gas production forecasts for the next twelve months, provided by gas producers. We agree with the System Operator's "concern that the lack of information regarding the availability of gas for thermal generators makes it difficult to assess and manage electricity security of supply". This also raises issues with attempting to forecast wholesale electricity pricing. Again, we note that in a workably competitive market it would be reasonable to expect suppliers to provide information on the availability of their product.

[2] Expert Advisory Panel, Electricity Price Review, OPTIONS PAPER for discussion, 18 February 2019, page 18.

- We support the Electricity Authority and GIC's intention to work together on the Authority's Wholesale Market Information Disclosure project, including potential disclosure requirements in relation to gas positions of thermal electricity generators.

- Haast supports disclosure of outage information and forecasts of gas consumption by major users with the same materiality thresholds that apply to production and storage. In practice, we would expect this to capture Methanex, Balance, NZ Steel, Fonterra, and the gas fired power plant operators. We agree that "The concentrated nature of gas demand in New Zealand means that an outage in any of the largest major gas users could potentially have a significant effect on the volumes of gas available on the wholesale market". We also agree with OMV that "all parties that have facilities where an outage may impact short-term market prices (including users and producers) should be covered in an outage disclosure regime".

Design features of a robust Information Disclosure Regime

It is clear there is wide-spread support for broader, mandatory, disclosure requirements.

The submission we provided to PEPANZ on their proposed voluntary Gas Information Disclosure provides some guidance on the kind of disclosure requirements we would advocate. The GIC should NOT simply 'cut and paste' the PEPANZ voluntary provisions. For example:

- The disclosure regime should include requirements for Director certification that disclosed information complies in all material respects with the Information Disclosure requirements. The Commerce Commission's Information Disclosure regimes provide useful examples of Director certification requirements.

- Compliance monitoring should be an ongoing, annualised, process. The disclosure regime should include enforcement and penalties for breach of the disclosure requirements. We agree with Todd Energy that "A key criticism of a voluntary disclosure code is the lack of "teeth" of such a code, having no regulated penalties for non-compliance" and there is a "need for a mechanism for compliance".

- The disclosure regime should address issues with contractual confidentiality provisions (existing and new) to ensure the requirements are not circumvented.

- Timely disclosure of information on planned and unplanned issues is critical. At a minimum, disclosure should occur at the same time information is being made available to customers etc. As PEPANZ conceded it "is less than ideal" different consumers were receiving different information on the duration of the Pohokura outages.[3]

Concluding remarks

Haast reiterates support for introduction of broader, disclosure requirements for gas outages (planned or otherwise), and other information, that may impact the wholesale electricity market. The requirements need to provide for urgent and immediate disclosures to avoid information asymmetries between market participants, and the types of problems evident from the Pohokura gas field outages.

[3] https://www.gasindustry.co.nz/assets/Consultations/Uploads/Submission-PEPANZ.pdf

Yours sincerely,



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