

17 April 2019

Andrew Knight
Chief Executive,
Gas Industry Company
By email to alison.oconor@gasindustry.co.nz

Dear Andrew

Options for Information Disclosure in the Wholesale Gas Sector

1. This is a submission by the Major Electricity Users' Group (MEUG) on the Gas Industry Company (GIC) consultation paper "Options for Information Disclosure in the Wholesale Gas Sector" published 1st April 2019.¹ MEUG members have been consulted in the preparation of this submission. This submission is not confidential. Some members may make separate submissions.
2. MEUG's interest in improving wholesale gas information disclosure is because gas will continue to be an important power station fuel for the foreseeable future. Imperfect information issues in the gas market flow through to and detrimentally, that is increase, uncertainty and hence price volatility during high price events in the electricity market. These outcomes undermine a low-cost and resilient electricity supply being achieved for the long-term benefit of consumers.
3. This is not a new issue. The options paper canvases the Minister's letter of 25th July 2018, the Spring 2018 events in the electricity market and the Electricity Authority's decision on the Undesirable Trading Situation (UTS) claim of 8th November 2018. A supplementary investigation by the Authority on aspects not covered by the UTS claim are subject to ongoing investigation in a stage II market performance review of wholesale market issues during spring 2018.²
4. The Electricity Price Review's Options paper of 18th February mentioned concerns by some electricity participants on disclosure of the availability of generation fuel such as gas (option D1) and favoured preliminary exploration of the costs and benefits of establishing an electricity and gas regulator (option F6).³ An interim report by TDB Advisory for MEUG on Gas Governance did not find a need for such a structural change.⁴ TDB Advisory's interim report advice on information disclosure was:

"Our preliminary view is support for the introduction of disclosure rules for planned and unplanned outages of upstream gas production. Disclosure rules for commercial information could carry greater risks of unintended consequences. It is not clear what problem commercial disclosure might solve."

¹ <https://www.ea.govt.nz/dmsdocument/24983-electricity-authority-commerce-commission-joint-project-terms-of-reference>

² <https://www.ea.govt.nz/monitoring/enquiries-reviews-and-investigations/2018/review-of-wholesale-market-issues-during-spring-2018/>

³ <https://www.mbie.govt.nz/dmsdocument/4578-electricity-price-review-options-paper>

⁴ TDB Advisory report of 22nd March 2019 at <http://www.meug.co.nz/node/992>.

5. The final TDB Advisory report is to be completed by the end of April. Once the final report is published, we would like to discuss the findings with the GIC. In the interim MEUG's view is that the GIC should proceed with urgency in collaboration with the industry to finalise and implement disclosure rules for planned and unplanned outages.
6. We understand upstream participants are pro-actively working to develop options to improve the disclosure regime. We welcome that initiative, but stress time is of the essence. Two Pohokura gas field unplanned outage events last year may be coincidental or due to pipeline reliability declining as the economic lives of fields ends. A repeat of the spring 2018 events with simultaneous planned or unplanned outages in gas and electricity infrastructure is an ongoing and possibly increasing risk. Planned major outages are a common occurrence in the electricity sector. For example,
 - The planned partial HVDC outages in less than a month on 11th and 12th May⁵; and
 - Around 13-weeks partial HVDC outages for the Oteranga Bay to Haywards A line reconductoring (OTB-HAY A) next summer.⁶

Yours sincerely



Ralph Matthes
Executive Director

⁵ Refer System Operator Customer Advice Notice 12th April 2019 at <https://www.transpower.co.nz/sites/default/files/interfaces/can/CAN%20Teleconference%20on%20HVDC%20outages%203079665965.pdf>

⁶ Refer Commerce Commission decision 10th October 2018 approving this listed project at https://comcom.govt.nz/_data/assets/pdf_file/0015/100653/Oteranga-Bay-Haywards-A-Line-reconductoring-listed-project-Final-decision-10-October-2018.pdf