

27 June 2019

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

Dear Andrew

Cross-submission on Information Disclosure in the Wholesale Gas Sector

1. This is a cross-submission by the Major Electricity Users' Group (MEUG) on the submissions of other parties on the Gas Industry Company (GIC) consultation paper "Options for Information Disclosure in the Wholesale Gas Sector" published 1st April 2019.
2. MEUG members have been consulted in the preparation of this submission. This submission is not confidential. Some members may make separate submissions.
3. GIC received twenty submissions.¹ Five (25%) of submissions were from end use consumers or representatives of consumers. If you count the Electricity Authority (EA) submission as a consumer representative, the count goes to six (30%).² We mention this high number of consumer submissions because relative to other consultations in the electricity and gas sectors this is a large count. The high consumer response reinforces our submissions that improving gas sector outage information is critical and urgent.
4. The cross-submission step introduced by the GIC following a review of submissions that closed 27th April now means it will be almost 4-months since the GIC published the consultation paper on 6th March 2019 and almost a year since the Minister wrote to the GIC regarding problems with outage information on 25th July 2018. The evidence so far seems to support a view that the GIC might agree improvements to gas outage information are needed but it's not critical.³ This is a concern for MEUG.

A principles-based approach to improving information disclosure for outages

5. MEUG agrees with the rationale that a change is needed and the principles for disclosure summarised in the submission by the Electricity Authority:

We agree there is a case for change

We firmly believe improvements should be made to gas market information disclosure. Asymmetric information, either systemic or short term, can inhibit the efficient operation of markets and regulators can address it to improve market outcomes such as efficiency of prices. Broadly, market participants should disclose information they hold about themselves that could influence market prices, to ensure parties can trade on an even playing field and avoid insider trading.

¹ <https://www.gasindustry.co.nz/work-programmes/gas-sector-information-disclosure/consultation/cross-submissions-on-options-paper/>

² The EA have a statutory objective to represent consumers, refer Electricity Industry Act 2010, s.15, "The objective of the Authority is to promote competition in, reliable supply by, and the efficient operation of, the electricity industry for the long-term benefit of consumers"

³ Assuming this view is correct the reason for the difference between the two regulators, the EA and GIC, may be due to the GIC's statutory objective not being as consumer centric as that of the EA. This is a matter for debate in other forums.

6. The webpage inviting cross-submissions noted one of the key issues for feedback was:
“... the issue of which parties should be included in an information disclosure regime. In particular, should major users be included in outage disclosure or forecasts of future consumption?”
7. In relation to improving information disclosure for outages MEUG believes the answer should be determined using the broad principle outlined by the Electricity Authority in the quote above. Note MEUG has no view on whether there is a similar case for changes to disclosure for forecasts of future consumption.

The option of using POCP should be investigated

8. If the gas information disclosure regime is changed MEUG agrees with the following submitters supporting using the electricity industry Planned Outage Co-ordination Process (POCP⁴):
 - Electricity Authority, response to Q54.
 - emsTradePoint Limited, responses to Q9, Q22, Q31 and Q55.
 - Energy Link, see p4 comments on list of 4-specific issues.
Notably on issue 2 Energy Link states “We support the use of POCP for outage information, as it is already in use by the electricity industry and is publicly available” with a footnote to that sentence noting “Which means that it is free for anyone to access.”
 - Transpower, response to Q55.
9. Interestingly none of the large electricity generator-retailer submissions specifically mentioned the benefit of POCP being free for all users as noted by Energy Link or expressing primary support for POCP. Instead they either preferred adding new gas outage information onto existing gas industry subscription only information sources, building new standalone publication channels or suggested the choice be left to gas market participants.⁵
10. Genesis Energy submitted POCP may need to be modified to allow voluntary reporting of upstream gas producer outages and we agree (response to Q9). Genesis would also prefer more of a bulletin board format (response to Q55) and we agree. We understand Transpower has been discussing with the Electricity Authority the possibility of including a summary bulletin board on POCP⁶.

Yours sincerely



Ralph Matthes
Executive Director

⁴ <https://pocp.redspider.co.nz/>

⁵ Refer response to Q55 by Contact Energy, Genesis Energy, Mercury Energy, Meridian Energy and Trustpower.

⁶ Refer discussion Transpower and MEUG members at MEUG Executive Committee meeting 1st May 2019.