ELECTRICITY AUTHORITY
TE MANA HIKO

9 December 2019

Gas Industry Co
Level 8, The Todd Building
95 Customhouse Quay
PO Box 10-646
Wellington 6143

Subject: Consultation paper: Information Disclosure: Problem Assessment

Dear Andrew Knight & team,

We welcome the opportunity to respond to the Gas Industry Company's consultation paper: *Information Disclosure: Problem Assessment.*

The paper takes a very thorough approach, and we support prioritising just some of the issues to take forward into a Statement of Proposal. As described further below, we have agreed to lead a project looking into improving thermal fuel disclosure (Section 12) and will be progressing this throughout 2020 in conjunction with the GIC.

We have responded to individual consultation questions in the Appendix that follows.

Thank you for taking the time to consider our submission. As discussed in the submission we are committed to continuing to work closely with the GIC as it develops its next steps on this topic and help further where we can.

Yours faithfully,

Tim Street
Manager Wholesale Markets, Electricity Authority

ADXLetter131

Appendix A: SUBMISSIONS TEMPLATE

Information Disclosure: Problem Assessment

Submission prepared by:

Hannah Hopper – Adviser Wholesale Markets

Hannah.hopper@ea.govt.nz

DDI: +64 4 462 0629

Electricity Authority - Te Mana Hiko

Question	Comment
Q1: Do you have any comments on our approach to the analysis?	No
Q2: Have we identified all of the relevant information elements in this list?	We agree all the relevant information elements are captured.
Q3: 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.	We agree with the assessment for gas production outage information that it should be included within a Statement of Proposal. This seems to be the largest information gap, and resolving this should be prioritised in the Statement of Proposal. We note gas producers have been developing a voluntary disclosure code for production outages and that GIC will also assess this as part of the Statement of Proposal.
Q4: 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.	GIC are unsure whether this information element should be included within a Statement of Proposal. We would support continued discussion of this topic in some form but suggest it is not prioritised. This is because, as GIC indicates, - Electricity users already face disclosure rules - Outage disclosure may only give a limited insight into changes in users' demand. We note Methenex, as the largest gas user, has not explained clearly why disclosure of plant outages would affect its competitive position internationally, or quantify the costs this would incur (p26). We suggest more validation is needed here. For example it may be relevant to research respective information disclosure regimes in the other countries Methenex operates in, to understand if New Zealand would really be setting a higher bar in terms of

	information disclosure if rules were changed, or not. We note GIC's comment (p26) that generators may need to be excluded from a major gas user disclosure regime to avoid duplication, as they already face disclosure obligations under the electricity Code. The benefits of this approach are that duplicate obligations would be inefficient in terms of regulatory burden. However, the interaction of the gas and electricity disclosure regimes needs more thought. A central system could be used for both types of disclosure (e.g. POCP), but it would be unhelpful for electricity participant to have to sift through gas outages that had nothing to do with the electricity system. We agree with the GIC's assessment that production outages have a higher risk profile for the sector than user outages, as production outages affect the price and security of supply, whereas user outages would only affect price. Therefore, higher priority could be placed on implementing disclosure rules for production outages. This priority is also reflected in the electricity disclosure regime, where there is much more information available about generator outages than major user outages. However it is a simplification to then extrapolate that a supply surplus caused by a user outage is not relevant; prices acts as an incentive for parties to create appropriate risk management products, driving market efficiency.
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.	We agree with the assessment for gas storage outage information that it should be included within a Statement of Proposal.
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.	We agree with the assessment for transmission pipeline outage information that it should not be included within a Statement of Proposal given the imminent developments of the Gas Transmission Access Code (GTAC) and the Transmission Access Commercial Operating System (TACOS).
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 have not been	We disagree with the assessment for contract price and volume information that it should not be included within a Statement of Proposal. We

	described correctly? Please include details and any examples in your response.	think there are additional benefits of this information that the GIC could explore further. We appreciate the bespoke natures of Gas Supply Agreements and the difficulties involved in publishing anything that could be meaningful. However, similar issues are faced in the electricity sector and we require disclosure of contract prices and volumes. The Electricity Hedge Disclosure System[1] has been developed to disclose the information. The benefits of this disclosure are regular indicators of forward curve value to support new entrants and potential investors, to encourage increased liquidity and increase efficiency. It also allows the Authority to monitor trading behaviour. Gas forward market information is important for accurate electricity forward curve valuation, due to the role of gas as a marginal electricity fuel source. Transparency of gas contract prices would also reduce the transaction costs involved in gas trading, and provide a reference point for parties to write risk management products against. We appreciate there could be confidentiality concerns in such a concentrated market but don't consider these to be insurmountable. We would not regard commercial sensitivity in itself to be an argument against disclosure.
Q8:	*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.*	We consider more assessment could be done for emsTradepoint price and volume information. EmsTradepoint is providing a commercial service and should be able to recoup costs involved in doing so, however we are generally not supportive of any market information being behind pay walls because it creates barriers to competition, especially in this case for core regulatory information. EmsTradepoint's justification for the $5000/year fee because it has paying participants, showing they derive at least that value in benefits (p39), is an incomplete assessment because its not obvious how many participants wanted the information but were blocked by the fee.

[1] Refer: https://www.electricitycontract.co.nz/

	If emsTradepoint were to publish more information for free (such a volume information, or daily granularity prices instead of weekly), this will also support more parties wanting to trade on its platform. We note GIC's comment (p39) that emsTradepoint is currently re-designing its website. Given the widespread desire in the sector for increased information transparency we trust this re-development will not reduce the amount of information ems publishes for free. We encourage the GIC to monitor this and be prepared to re-assess their conclusion on this information element if things were to change.
Q9: 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.	GIC have not yet expressed an opinion on whether gas storage facilities information should be included within a Statement of Proposal, as they are waiting on more information particularly from Flex Gas regarding its willingness to public ally disclosure Ahuroa capacity and gas availability. We would support MBIE publishing the quarterly stocks information it receives from Flex Gas, and/or for Flex Gas to consider whether it could publish this information instead. Updates more frequently than quarterly would be useful in managing electricity security of supply conditions. We note GIC's comment (p44) there appear no identifiable environmental impacts of lack of information regarding storage information. However, as GIC notes (p28), Ahuroa will have an increasingly important role to support the growing role of gas peaking plant in complementing renewable generation. Therefore we feel there is an environmental benefit to increased information transparency around storage facilities information.
Q10: 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.	We agree with the assessment for gas production forecast information that it is not included in the Statement of Proposal, as long as GIC continue to investigate with MBIE whether the information can be made available on a more timely basis and/or more frequently. We see this information as core regulatory information and support the electricity system operator's view that lack of information about availability of gas for thermal generators makes

	it more difficult for them to manage electricity security of supply. We consider we might be able to address some of this concern within our project described in Q11.
Q11: 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.	We agree with the assessment for thermal electricity generator gas position information that the GIC does not advance it to the next stage of their workstream because the Authority has commenced a project looking into the adequacy of wholesale market information disclosure. The first part of this project will establish what improvements could be made to the expected availability of thermal plants and gas and coal market information disclosure, with a view to improving the efficient functioning of the electricity market. This could involve a code change or a facilitated approach. We only have jurisdiction over electricity sector participants. Following this, a possible second phase of the project may be commenced which would look at other known information gaps such as the adequacy of the Hedge Disclosure Website. We are leading this workstream and will be working very closely with the GIC, as we acknowledge our expertise in the gas sector is not our forte. We are committed to engaging informally and formally with relevant stakeholders throughout this project, to understand what information parties need and what barriers are faced. We will incorporate feedback from both GIC's consultations that have covered this topic.
Q12: 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.	We agree with the assessment for major users' forecast gas consumption information that it is not included within a Statement of Proposal due to the limited nature of the problem.