

Questions

Options for Information Disclosure in Wholesale Gas Sector

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Question		Comment
Q1:	Should shippers be included in an information regime? If so, what information do you consider should be disclosed?	No – as neither a producer nor consumer of gas, it is difficult to see how shippers' information would add much value.
Q2:	Is the information currently disclosed by the transmission pipeline operator sufficient? If not, what further information should be released through information disclosure arrangements?	No – TSOs should be required to supply cost and asset values per pipeline with sufficient granularity for the industry to understand the extent to which TSOs comply with the Commerce Commission's pricing principles.
Q3:	Have the upstream sector and its potential information issues been characterised appropriately? Have we missed aspects of the problem or are there parts of the identified problem that we have not described correctly? Please include details and any examples in your response.	<p>Although the paper identifies the potential for information gaps to cause problems, it does not follow that every information gap is a problem. There should be a column in Table 4 that assesses whether each information gap is a problem.</p> <p>The first three rows of Table 4 relate to the CMA and so appear out of scope vis-à-vis what the Minister has asked GIC to consider. Some of this information, e.g. production forecasts, is already publicly available. Items that are already required to be disclosed should not form part of a problem definition relating to information gaps.</p> <p>The one upstream sector information gap missing from the paper is the prevailing quantities of gas stored in storage facilities. By way of comparison,</p>

		prevailing reserves for fields can be calculated by subtracting net production from reserves, most of which is publicly available. Storage – be it lake levels or gas – has a major impact on market prices and security of supply / demand.
Q4:	Have the demand-side and its potential information issues been characterised appropriately? Have we missed aspects of the problem or are there parts of the identified problem that we have not described correctly? Please provide details and any examples in your response.	<p>There are information gaps and problems that have not been canvassed given the generally accepted view that the gas market will be short for the foreseeable future. These include:</p> <ul style="list-style-type: none"> - The quantity of demand idling and demand destruction. - The quantity and carbon footprint of demand that has switched to high-polluting substitute fuels. - The level of competition amongst suppliers for demand in category AG4 and above. <p>On the latter, particularly for the Demand / Supply paper GIC is currently writing, it is worthwhile GIC talking with energy agents in the sector. We hear anecdotally that demand is struggling to attract supply and that this is pushing prices up. But what are the wider implications when / if demand that does not have alternative fuel idles because it cannot secure any gas. If GIC wants to stay relevant, this is the sort of information and understanding that it should be actively seeking out.</p> <p>The real issue is “where is the gas?”.</p>
Q5:	What processes does your organisation have to obtain information ahead of, and during, periods of reduced gas supply?	We rely a lot on the BGIX showing near real-time OBA estimated running mismatch data at present. This information will not be available under the GTAC because the GIC approved the removal of it.
Q6:	How is your organisation impacted during periods of reduced gas supply? Please provide details (including costs) and any examples in your response.	<p>If it is our gas supply that is reduced – we have various options, but with numerous wells at a number of on-shore fields, Greymouth helps fuel NZ’s current demand for energy on a comparatively low cost and low risk basis.</p> <p>If it is other gas supply that is reduced – we are likely to see parties ask us for gas from across the spectrum of market segments which we will consider supplying if subsurface parameters allow.</p>

Q7:	What steps does your organisation’s risk assessment or business continuity plan expect to be undertaken to limit the impact of periods of reduced gas supply?	<p>Greymouth is a vertically integrated company so we will drill when the drivers are right – although drilling typically has a long lead time.</p> <p>The biggest risk is political. We should be able to expect the government to take reasonable and prudent steps in order to achieve its net zero carbon vision. This should include, in theory, keeping the lights on, not eroding GDP, encouraging technological innovation, encouraging permanent carbon sequestration, encouraging efficient investment, and not allowing higher polluting substitute fuels to displace cleaner alternatives where renewable non-emitting alternatives are not yet available to the market.</p> <p>Most of the rest of the world seems to be switching from coal to gas. NZ seems to be switching marginal energy requirements from gas to coal.</p>
Q8:	Taking into account your risk assessments and business continuity plans, what information do you use and what further information would be useful to your organisation to inform your actions and decisions during periods of reduced gas supply?	<p>Please refer to Q4. Information about demand is critical to security of supply and upstream investment decisions.</p> <p>Temporary higher gas prices do not automatically trigger new drilling decisions. Various factors are relevant, including the new political landscape, changes to the delivered gas price netbacks (particularly carbon and transmission costs), and the risk of demand destruction or switching to alternative fuels caused by the increase in gas prices.</p>
Q9:	Is there any further information regarding outages that you would like to share?	Please refer to our covering letter.
Q10:	Have the potential information problems in the wholesale gas market been identified appropriately? Have we missed aspects of the problem or are there parts of the identified problem that we have not described correctly? Please provide details and any examples in your response.	<p>The first and last row have been identified in the upstream and downstream sections and this should be recognised to avoid inflation of the extent of the problem (we acknowledge that the impact on emsTP may help determine the extent of any problem).</p> <p>There are also three further potential information problems:</p> <ul style="list-style-type: none"> - The existence of brokers on emsTP permits opaque price discovery outside of the market which is then put on the market as a trade which

		<p>is contrary to transparent price discovery principles.</p> <ul style="list-style-type: none"> - The emsTP price is not for gas, but for gas and CO_{2e} liability. - emsTP does not require disclosure of all market participants.
Q11:	<p>Have the potential information transparency and availability issues in the wholesale gas sector been analysed appropriately against the Gas Act and GPS objectives? Are there elements of the analysis that have been missed or parts of problem that have not been analysed properly? Please explain your reasoning.</p>	<p>Not really – the analysis is very light and does not specifically relate to a defined problem. Notwithstanding this, the comments are on the right track apart from the point about upstream investment (refer to Q8).</p> <p>In terms of next steps – GIC will need to canvass all potential problems then choose perhaps 1-5 problems, then wholly assess those against the Gas Act and GPS objectives before taking subsequent steps. We think this process will result in demand side issues (refer to Q4) being identified as a, if not the, major problem worthy of being solved. Certainly that should be the case if NZ Inc. is serious about fronting up to its energy and productivity challenges.</p>
Q12:	<p>Has the proposed problem statement been characterised appropriately? Have we missed aspects of the problem or are there parts of the identified problem that we have not described correctly? Please include details and any examples in your response.</p>	<p>No. There is no problem statement. There is only a government policy objective and some comments. GIC needs to define a problem statement and a counterfactual objective of regulation pursuant to s43N(1)(a) of the Gas Act.</p> <p>It looks like this work-stream was triggered by the 2018 Pohokura issues. The Minister then wrote to GIC asking for it to explore all information issues affecting the downstream gas market. In its paper GIC then attempted to limit this to information issues in the wholesale gas market without defining that market and without appearing to acknowledge that all markets and sectors are interrelated on either a short or long run basis. Lifting the lid should quickly conclude that outage information is not the main issue (if improved, that may result in small price changes to particular deals).</p> <p>The real issue is “where is the gas” and any information that relates to this. GIC has therefore missed some fundamental problems in this regard.</p>
Q13:	<p>Has the voluntary disclosure option been identified appropriately? Are there alternative versions of the option that are worthy of consideration? Please provide reasons in your response.</p>	<p>Voluntary disclosure is a more of a channel than an option – as GIC concludes by use of the word ‘approach’. The options should address the substance of the defined problem/s.</p>

		<p>In this regard the diagram on page 18 looks wrong. What it should illustrate is that for each problem, there are X options for a substantive solution, which could be implemented by way of Y channels (voluntary, other, regulation), using Z mode (principle vs. specificity for example).</p> <p>There is another channel to explore before regulation (if regulation is justified) which is a GTAC change request. If the GTAC goes-live on 1 October 2019, industry should be given an appropriate but finite window to design a change to address any remaining problems. If the GTAC does not go live on 1 October 2019, the same should be done under the VTC and MPOC. Failure to do this will jeopardise GIC compliance with s43N(1)(c) of the Gas Act.</p>
Q14:	<p>Do you agree with the advantages that have been identified for the option? Have any other advantages been missed or are there advantages that have been listed that mischaracterised?</p>	<p>The advantages seem right. However, these are advantages to “how”, not “what” – i.e. to the channel and not the substance.</p> <p>s43N(1)(a) is about identifying the substantive option <i>and</i> channel combination, not just the particular channel. Figure 1 on page 3 of the Wholesale Levy Assurance Options Paper dated 14 September 2016 has precedent in this regard – e.g. a number of options were canvassed vis-à-vis where the point of obligation sat (i.e. substance), albeit that only regulation was considered (i.e. how) which was appropriate in context.</p>
Q15:	<p>Do you agree with the disadvantages that have been identified for the option? Have any other disadvantages been missed or are there disadvantages that have been listed that are mischaracterised?</p>	<p>We agree that there were indications during the GTAC process that there might be issues with voluntary disclosure. However, those reservations were expressed in the context of that process – where parties were being asked to agree to a raft of changes – and not in the context of a co-regulator led process focussed only on information disclosure.</p> <p>In order to work, the terms of a voluntary code would need agreement from all stakeholders, but if that were able to be achieved there is nothing to suggest that stakeholders would not comply with it. POCP seems to work in the electricity sector and this is also a voluntary arrangement.</p> <p>Consistent with s43N(1)(c) of the Gas Act, we think a voluntary arrangement should be properly explored before a regulatory option is pursued.</p>

Q16:	Given the advantages and disadvantages, do you consider that that voluntary disclosure option is a viable option? Please provide the reasoning behind your answer, including details and any examples.	<p>Yes – it is a viable channel. As noted above, stakeholder agreement – and therefore buy-in – would be required for a voluntary arrangement. That would increase the likelihood that the information ultimately being provided would be more meaningful and useful to industry.</p> <p>Other than for outages, it is not yet clear what the substance component of the option would be absent a defined problem statement.</p>
Q17:	Has the principles-based information disclosure option been identified appropriately? Are there alternative versions of the option that are worthy of consideration? Please provide reasons in your response.	<p>No – “principles-based” is a more of a mode than an option. Both voluntary and regulated solutions could be principles-based. The options should address the substance of the defined problem/s.</p> <p>The modes will lie somewhere on a continuum from principles-based disclosure through to specific requirements for disclosure.</p>
Q18:	Do you agree with the advantages that have been identified for the option? Have any other advantages been missed or are there advantages that have been listed that mischaracterised?	Yes.
Q19:	Do you agree with the disadvantages that have been identified for the option? Have any other disadvantages been missed or are there disadvantages that have been listed that are mischaracterised?	Yes.
Q20:	If a principles-based information disclosure option is adopted do you think there should be exclusions on information that is disclosed? If so, what types of exclusion should be considered and why? If confidentiality is a concern, please explain why this is the case, including any details and examples.	<p>Yes – there have to be exclusions. For example, a materiality threshold either from the perspective of that party or the market seems sensible. Bilaterally derived prices per contract should also be excluded as there are no compelling problems that seem to require a solution. Exclusions should also apply where information is governed by other regimes like NZPAM.</p> <p>There is also a time element to consider between a party having information, and the market having that information, and the extent to which hedging is allowed.</p>
Q21:	Has the specific information disclosure option been identified appropriately? Are there alternative versions of the option that are worthy of	No – again this is more of a mode not an option. Please refer to Q17.

	consideration? Please provide reasons in your response.	
Q22:	Do you agree with the advantages that have been identified for the option? Have any other advantages been missed or are there advantages that have been listed that are mischaracterised?	Yes.
Q23:	Do you agree with the disadvantages that have been identified for the option? Have any other disadvantages been missed or are there disadvantages that have been listed that are mischaracterised?	Yes.
Q24:	Have the implementation issues associated with the information disclosure options been characterised appropriately? Are there further points that we have missed or are there issues that have been mischaracterised?	<p>We think that it is important to step back a bit. It makes little sense to canvass implementation issues in a paper called “Options Paper” that is really an “Issues Paper”.</p> <p>Getting the channel right is less important than choosing the right substantive solution which is less important than properly defining the problem.</p>
Q25:	Do you think that principles-based information disclosure based on industry-led arrangements is a viable option? Please provide the reasoning behind your answer.	Yes – although again this is a mode and channel (or a “how”), not an option of substance (or a “what”).
Q26:	Do you agree with the proposed coverage for disclosure obligations? What issues do you see with the proposed coverage?	<p>No – markets distil to supply and demand for a price. Then there will be a price point at which supply idles, and a price point at which demand idles or switches to substitutes.</p> <p>With this in mind, parties missing from the proposed coverage are storage providers, energy agents, and non-major end-users.</p> <p>In the absence of a problem definition or counterfactual objective of regulation, all parties must be considered in scope to start with.</p>
Q27:	Should there be coverage exclusions (i.e. particular parties or types of party) included in the information disclosure regime? If so, what should they be and why (please provide details and examples to support your argument)?	Maybe – but any coverage exclusions should relate to particular concepts or groups and not individual parties.

Q28:	Should there be a minimum threshold? If so, what should it be and what should it be based on (e.g. nameplate capacity, X GJ/day)? Should the minimum threshold be the same for all types of market participants or should it vary between market segments? Please provide details.	<p>Yes – but threshold should have regard for the problem definition. E.g. an end-user receiving only 1 response on an RFP might be material for it and not the market on a short-run basis, but it is material for the market on a long-run basis particularly when tracking competition trends.</p> <p>We note that some precedent exists on threshold for asset owners in the Gas Governance (Critical Contingency Management) Regulations 2008.</p>
Q29:	Should the threshold be on a facilities basis or company basis?	Neither. The threshold should be applied on a participant <i>category</i> basis with regard to what the test is – i.e. material for a participant vs. material for the market. If it is the market, then material on a short-run basis vs. a long-run basis.
Q30:	Are there any other information disclosure rules that should be considered? Please provide details in your answer including the rationale for your proposed rules.	<p>While we will answer the forthcoming questions, the GIC’s next steps should ensure that the problem is defined and that all options are adequately canvassed.</p> <p>GIC appears to have scoped out some winning options without yet understanding the problem or, after that, seeking to identify all reasonably practicable options.</p>
Q31:	Has this planned outage disclosure option been identified appropriately? Are there alternative versions of the option that are worthy of consideration? Please provide reasons in your response.	Sort of.
Q32:	Do you agree with the advantages that have been identified for the planned outage disclosure option? Have any other advantages been missed or are there advantages that have been listed that are mischaracterised?	Yes – albeit in the context of the preceding description.
Q33:	Do you agree with the disadvantages that have been identified for the planned outage disclosure option? Have any other disadvantages been missed or are there disadvantages that have been listed that are mischaracterised?	Yes – apart from the hypotheses in the last two sentences of paragraph two. A voluntary arrangement with agreement from all participants could address issues in other contracts, e.g. by way of a change request to GTAC.

Q34:	If this planned outage disclosure option is adopted do you think there should be exclusions on information that is disclosed? If so, what types of exclusion should be considered and why? If confidentiality is an issue, please explain why this is the case, including any details and examples.	Please refer to Q20 and Q27.
Q35:	Has this unplanned outage disclosure option been identified appropriately? Are there alternative versions of the option that are worthy of consideration? Please provide reasons in your response.	Sort of – although if the reference to First Gas’ Maui pipeline outage is a reference to Project Pariroa, then this was a planned outage not an unplanned outage.
Q36:	Do you agree with the advantages that have been identified for the unplanned outage disclosure option? Have any other advantages been missed or are there advantages that have been listed that are mischaracterised?	Yes – albeit in the context of the preceding description.
Q37:	Do you agree with the disadvantages that have been identified for the unplanned outage disclosure option? Have any other disadvantages been missed or are there disadvantages that have been listed that are mischaracterised?	Yes – apart from the hypotheses in the last two sentences of paragraph two (as to which, see above Q33).
Q38:	If this unplanned outage disclosure option is adopted do you think there should be exclusions on information that is disclosed? If so, what types of exclusion should be considered and why? If confidentiality is an issue, please explain why this is the case, including any details and examples.	Please refer to Q20 and Q27.
Q39:	Should lagged emsTradePoint traded volumes and prices be disclosed under an information disclosure regime? Please provide reasons in your response.	Yes – but using the logic in the paper why shouldn’t the real-time trading board be publically available on a view-only basis? GIC says that ‘an understanding of traded quantities and prices by all parties in a market is necessary for the efficient operation of that market’. This is only part of the picture. It is important to see how the bids and offers interact, and to gauge the level of unmatched demand and unmatched supply.
Q40:	Do you agree with the advantages that have been identified for the emsTradePoint disclosure option? Have any other advantages been missed or are there advantages that have been listed that mischaracterised?	Yes – it would also hopefully elevate the conversation to people in power and people in general.

Q41:	Do you agree with the disadvantages that have been identified for the emsTradePoint disclosure option? Have any other disadvantages been missed or are there disadvantages that have been listed that are mischaracterised?	No – assuming the question only relates to emsTP then emsTP is an anonymous market, so there are no wider confidentiality issues provided that it is not possible to back-calculate who traded.
Q42:	Should there be publication of weighted average wholesale prices & aggregate traded volumes that cover the entire gas wholesale sector (with data sources including price and volume information covered under bilateral agreements and other arrangements)?	<p>Yes – if it just relates to emsTP.</p> <p>No – for all other bilaterally traded volumes and price, for three material reasons:</p> <ul style="list-style-type: none"> - Such information is commercially sensitive. - It reflects bespoke terms for supply, making gas not a homogenous product in this regard. - It is not the same as a short run marginal cost like in electricity, which risks being misinterpreted by third parties considering investment with regard to the long run marginal cost.
Q43:	Do you agree with the advantages that have been identified for this weighted average price & volumes option? Have any other advantages been missed or are there advantages that have been listed that mischaracterised?	No – emsTP information is not just about the price at which bids and offers match and trends etc., but it is also about the extent to which, at the present time, gas demand is being idled (with associated impact on GDP and carbon footprint for example if coal is being used as an alternative fuel).
Q44:	Do you agree with the disadvantages that have been identified for this weighted average price & volumes disclosure option? Have any other disadvantages been missed or are there disadvantages that have been listed that are mischaracterised?	<p>No – emsTP may lose a revenue stream but if the trading board was published as-is then emsTP may not incur material cost of adapting to any changes and the increase in transparency may result in an increase in trades.</p> <p>There is also another disadvantage insofar as the price on emsTP is not a price for gas – it is a price for gas and CO_{2e} liability. We would expect this to need unbundling if emsTP was made more transparent to prevent parties from misinterpreting the information.</p> <p>If the question also relates to bilateral deals, please refer to Q42 which are further disadvantages.</p>
Q45:	Are there confidentiality issues that would limit this option? Please provide	Please refer to Q41.

	details on any confidentiality concerns.	
Q46:	Should a twelve-month outlook for gas production information ('gas production information') be disclosed under an information disclosure regime? Please provide reasons in your response.	No – MBIE already publishes this information to the public.
Q47:	Do you agree with the advantages that have been identified for this 'gas production information' disclosure option? Have any other advantages been missed or are there advantages that have been listed that mischaracterised?	<p>No – the advantages stated are not advantages that would stem from this solution, but would stem from reserves (in relation to Electricity security of supply), and wider emsTP transparency (for operation of emsTP).</p> <p>No matter how you slice and dice it, disclosure of information will not result in extra gas being found which is the big issue facing NZ today and in the coming years. If that issue is unpalatable as a big issue, then in the alternative the issues will be about keeping the lights on, and the marginal additional cash and carbon footprint required to do so until such time as the green economy becomes the real world economy.</p>
Q48:	Do you agree with the disadvantages that have been identified for this 'gas production information' disclosure option? Have any other disadvantages been missed or are there disadvantages that have been listed that are mischaracterised?	<p>Yes – furthermore, production information on such a long lead time is relatively meaningless.</p> <p>At present all industry can see our real time net production anyway so query how information could be any more timely or accurate than actual data.</p>
Q49:	Are there confidentiality issues that would limit this 'gas production information' disclosure option? Please provide details and any examples.	It depends on the detail of the proposal (if any).
Q50:	Should a twelve-month outlook for major users' gas consumption information ('gas consumption information') be disclosed under an information disclosure regime? Please provide reasons in your response.	No – provided that a demand-side outage regime works then that should sufficiently capture everything the market needs to know in relation to <i>predicted</i> consumption.
Q51:	Do you agree with the advantages that have been identified for this 'gas consumption information' disclosure option? Have any other advantages been missed or are there advantages that have been listed that mischaracterised?	No – the advantages stated are not advantages that would stem from this solution, but would be discoverable anyway based on known consumption patterns (in relation to Electricity security of supply), and wider emsTP transparency (for operation of emsTP).

Q52:	Do you agree with the disadvantages that have been identified for this 'gas consumption information' disclosure option? Have any other disadvantages been missed or are there disadvantages that have been listed that are mischaracterised?	No – we would suggest that the data is also relatively meaningless on a forward basis. The better data to collect was the level of actual / historical demand that was idled or destroyed because there was no gas supply available for it.
Q53:	Are there confidentiality issues that would limit this 'gas consumption information' disclosure option? Please provide details and any examples.	No comment.
Q54:	Have any publication channels been left out of the identified channel list? Are there channels in the list that should be excluded? Please provide details in your response.	Yes – the existing noted channel, i.e. Jam Solutions. But really, the channel is the least important, easiest, and last piece of the puzzle.
Q55:	What do you consider to be the pros and cons of the various options that have been identified and other options that should be considered?	No comment.
Q56:	Have you got any comments on the benefits analysis?	Yes – it looks like economic gobbledegook. Further – not only does it not also assess the costs (as GIC is required to do pursuant to s43N(1)(b)(i) of the Gas Act), but it also purports to opine on benefits of no option in particular based on a problem definition that doesn't exist.
Q57:	Could you please provide Gas Industry Co with estimates of your expected costs associated with the implementation and ongoing management of the various information disclosure options? This cost information is important for completing a full cost/benefit analysis.	Sure – but first GIC needs to define the problem/s, then canvass all options, then choose an option or a subset of options to consider implementing before we can know with any specificity what, exactly, is being talked about. Greymouth Gas will incur cost in supplying outage information which may require a fraction of an FTE, but will also cost time when we would prefer to be out there looking for gas. There will be an allocative cost that offsets the allocative benefit associated with increased provision of information – for example the extent to which a party cannot monetise its IP or commercial information if that is required to be made transparent. Parties that take a risk on drilling are entitled to earn a return on investment that reflects that risk.

		<p>A final point to note is with regard to liabilities. If third parties rely on information supplied, then we do not want recourse back to us as having provided information in good faith. Any potential for such risk should be considered as a massive cost of supplying information.</p>
<p>Qnew:</p>	<p>Would you please comment on the concept of regulation?</p>	<p>Greymouth considers that the potential regulatory imposition of information disclosure is not in the best interests of the wider gas market.</p> <p>Regulation could have the unintended consequence of reducing competition, access to capital and pursuit of innovation, all of which are crucial to promotion of a gas industry that will support the transition of the country towards its goal of net zero emissions by 2050.</p> <p>We would expect the Interim Climate Change Committee to appreciate that gas as a fuel is key to greater penetration of electricity, which will help target the high carbon footprint of our transport industry.</p>