



1 September 2021

Andrew Knight
Gas Industry Company
Level 8, The Todd Building
95 Customhouse Quay
Wellington 6143

Dear Andrew,

STATEMENT OF PROPOSAL: GAS PRODUCTION AND STORAGE FACILITY OUTAGE INFORMATION (“SOP”) - GAS OUTAGE INFORMATION DISCLOSURE CODE 2020 (“Code”)

1. Todd Energy (Todd) supports the objective of the GIC; for there to be arrangements in place to ensure the effective and timely availability of material gas production and storage outage information for all gas and related market participants. In accordance with Todd’s submission of 4 March 2021, Todd remains of the view that the Code is operating effectively and achieves the GIC’s objective. Todd considers that it is inappropriate for the GIC to regulate when there has been no signal that the Code has failed.

Under the Gas Act, the GIC is obliged to consider non-regulatory solutions before seeking to regulate (and therefore regulation should not be introduced primarily to make regulatory enforcement possible). The GIC has discussed this at length at sections 3.5 and 6.10 of the SOP and has nevertheless decided to recommend regulation and/or rules under the Gas Act. Todd appreciates the GIC’s recognition of the improvements brought about by the Code and makes the following comments on the SOP.

2. On the basis that the Code is used as the starting point for a regulated solution, Todd agrees with the GIC that:
 - a. **Regulatory Objective:** the addition of “material” information to the regulatory objective is an appropriate amendment;
 - b. **Reporting Threshold:** the 20TJ/day reporting threshold is appropriate, and this threshold should be maintained in a regulated solution. As previously highlighted to the GIC, this threshold ensures that major outages are disclosed to the market and avoids the disclosure platform being flooded with distracting and unnecessary information such as minor planned maintenance activities. It is also worth noting that 20TJ represents under 5% of New Zealand’s daily average gas production and is approximately the amount of gas required to run a 100MW gas peaker for a day. 100MW represents approximately 1% of New Zealand’s installed generation capacity, and less than the daily variability in output from wind generation; and

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- c. **12-hour maximum period for initial notification:** the 12-hour maximum period is appropriate because as previously highlighted to the GIC, in some cases it may be difficult to disclose sooner. For example if an outage occurs during a night shift and the relevant shift workers are engaged in remediation of the outage, a reporting obligation could distract crew from urgent operational matters. The 12-hour maximum period is a common-sense approach given the practicalities.
3. Todd does not believe the following amendments, suggested by the GIC are necessary:
- a. **Daily and two weekly notification requirements:** The GIC is concerned that these timeframes are too infrequent and do not require producers to report a material change to the market as soon as reasonably practicable. Todd disagrees, and considers that the way the Code is currently drafted allows producers to disclose sensible firm plans for remediation versus options which are still being assessed. To require unconfirmed plans to be disclosed could lead to misleading information being acted on by the market. This is particularly the case for longer term outages which often have complex remediation options.
 - b. **Quarterly update:** Notifications more than 6 months from a scheduled outage will typically have lower levels of detail as any such outages are in the planning phase. The firm timing of an outage is likely to change many times (e.g. staffing/resourcing, availability of parts, subcontractor availability, financial planning etc.). Todd considers that the way the Code is currently drafted allows producers to disclose firm outage plans rather than options which are being assessed and developed which would not be useful to the market. It is important that the Code doesn't imply a level of accuracy that is not there.

Once again, we appreciate the GIC's recognition of the improvements brought about by the Code and the proposed use of the Code to provide the basic structure for regulation.

If there are any questions relating to Todd's submissions, please contact Catherine Ongley in the first instance: congley@toddenergy.co.nz.

Yours sincerely



Mark Macfarlane
Vice President NZ Upstream Energy