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Submission on the Final SoP for Gas Production and Storage Facility Outage Information

Introduction

1. This is Vector Limited's (Vector) submission on the Gas Industry Company's (Gas Industry Co) *Statement of Proposal: Gas Production and Storage Facility Outage Information* (Final SoP), dated 20 July 2021.
2. Vector has been consistent in its support for greater transparency that promotes market competition, efficiency and innovation that benefit consumers. As such, we broadly support Gas Industry Co's Final SoP which proposes the disclosure of information on gas production and storage facility outages through a framework of regulations and/or rules under the *Gas Act 1992* (the Act). We consider that, in this case, a regulatory approach supported by compliance and enforcement mechanisms would deliver more durable arrangements compared to information disclosure on a voluntary basis.
3. We generally agree with the proposed elements that form part of Gas Industry Co's preferred regulatory option, as set out in the Final SoP. These elements relate to coverage, outage definitions, information for disclosure, timing of disclosures, confidential information, information required for monitoring, confirmation of information quality, and compliance and enforcement arrangements.
4. The above elements have been exhaustively discussed during the consultation on Gas Industry Co's Draft SoP that was released in December 2020 and earlier consultations on information disclosure for the wholesale gas sector. In this submission, we set out our remaining comments on some of these elements.

Information disclosure through a framework of regulations and/or rules

5. Vector recognises that the voluntary *Upstream Gas Outage Information Disclosure Code 2020* (the Code) developed by gas producers and storage owner represents a 'step change' improvement in transparency in the wholesale gas sector.
6. The Code delivers significant value by providing many of the foundational elements of Gas Industry Co's preferred regulatory option. As indicated in the Final SoP, some of these elements are augmented or replaced to address certain limitations and make them workable as part of a regulated set of arrangements.
7. For the longer term and for the following reasons (which are set out in the Final SoP), we agree with the preferred option of implementing outage disclosure arrangements within a framework of regulations and/or rules under the Act. We believe this will ensure that arrangements will be more efficient and durable, and as such, will also better promote certainty which is important in a market that is in transition.

- There is the possibility that under the Code, at least one party may decide in the future that the benefits of non-disclosure may significantly outweigh the associated costs, including reputational risks.
- Parties impacted by performance or non-performance under the Code are more likely to be third parties who are purchasing gas or trading in the gas or related markets, rather than the producers and storage owner who are the signatories of the Code.
- The Code would remain an industry arrangement without an effective compliance and enforcement regime. Without this key feature, any modifications to the Code would not make it substantially different or more effective than the current Code.

Reporting thresholds

8. Vector appreciates the addition of a materiality threshold to the regulatory objective in the Final SoP (i.e. addition of the word “material”), as proposed in our submission on the Draft SoP.
9. We support the proposal for the 20 TJ/day reporting threshold to be set outside of regulation, if possible, so it can easily be modified as appropriate.
10. We also agree with the proposal for the reporting threshold to be reviewed after the first year of operation of the proposed regulated arrangements.

Timing of disclosures

11. In Vector’s submission on the Draft SoP, we expressed concern that the proposed 12-hour reporting window for the initial notification of an unplanned outage could enable the customers of producers/storage owner to receive this information before the wider market. To address our concern, Gas Industry Co introduced a new requirement in the Final SoP that all outage disclosures made to producers’ or storage owner’s customers be issued publicly at the same time. We agree that this sufficiently addresses our earlier concern.
12. We support the proposed requirement in the Final SoP that planned outage information that is provided to a customer (irrespective of whether this is required under a contractual commitment or a voluntary disclosure) be disclosed publicly at the same time.

Future consultation

13. Should Gas Industry Co’s preferred regulatory option be pursued, we suggest that industry participants be consulted on the wording of any new regulations or rules, and/or amendments to existing regulations or rules, that would enable the implementation of this option.

Concluding comments

14. We note that in its *Statement of Intent 2022-2024*, Gas Industry Co identifies information disclosure as one of its priority projects for FY2022. We suggest that Gas Industry Co expedite the development of regulations and/or rules to implement its preferred option, as set out in the Final SoP. This would allow Gas Industry Co to move on to consider the other elements of its wider information disclosure work stream and other priority projects, in conjunction with industry participants.

15. We are happy to discuss this submission with Gas Industry Co. Please contact Graeme Stodart (Natural Gas Trading Manager) at Graeme.Stodart@vector.co.nz or 04 803 9048 in the first instance.
16. No part of this submission is confidential, and we are happy for Gas Industry Co to publish it in its entirety.

Yours sincerely
For and on behalf of Vector Limited



Neil Williams
GM Market Regulation