

16 August 2018

Hon Dr Megan Woods
Minister of Energy and Resources
Private Bag 18041
Parliament Buildings
WELLINGTON 6160

Dear Minister

Thank you for your 25 July 2018 letter on the matter of information disclosure in the gas industry. In the letter, you express a concern that information affecting the operation of the downstream gas market may not be communicated to all stakeholders in a timely manner. The recent outage on the Pohokura pipeline is highlighted as an example of an event where the requirements for information disclosure may have been insufficient.

Current legislative and regulatory settings

We have considered the purposes for which gas governance regulations can be made in Part 4A of the Gas Act and whether information disclosure regulations of the type contemplated in your letter could be made under Part 4A.

While Part 4A of the Gas Act does contemplate regulation of information disclosure, it is limited to a narrow range of matters (for example disclosure by certain participants of tariff and other charges and disclosure of data and other market information). If we conclude that existing information disclosure is not sufficient, we think that Part 4A of the Gas Act should be amended to clearly provide for the regulation making powers contemplated by your letter. We consider it important that any future work that Gas Industry Co undertakes in relation to information disclosure is backed by a clear regulation making power.

Existing information disclosure requirements

Gas Industry Co agrees that good information is important for the effective and efficient operation of the gas industry. Markets work best when all parties have access to information that enables them to make informed decisions. Balancing the need for good information, we note that some parties consider that additional information disclosure would affect their commercial positions. Overall, we agree that it appears that information disclosure in the sector could be improved, although this may not be without commercial and cost implications for some parties.

Gas Industry Co intends to create an information disclosure workstream to progress this issue. An initial step in this workstream will involve consultation with the gas industry and other interested parties (for instance, Transpower has expressed an interest in improved information

flows so that it may better understand factors that may affect electricity security of supply). We intend to ask parties whether they consider existing information disclosure is sufficient for their needs and if not, what the information gaps and issues are. If we consider that information disclosure is not sufficient, we will determine whether industry-led arrangements to improve disclosure are possible or whether regulation may be required.

Gas industry Co will continue to engage with officials on potential changes to the Gas Act and I will report back to you on the outcomes from the consultation process and the implications for next steps.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'A. Knight', with a long horizontal flourish extending to the right.

Andrew Knight
Chief Executive