



Analysis of Submissions on Options for Information Disclosure

5 August 2019

Executive Summary

Gas Industry Co released the *Options for Information Disclosure in the Wholesale Gas Sector* consultation paper ('Options paper') in March, as the first step in our information disclosure workstream. The purpose of the paper was to provide gas sector stakeholders with the opportunity to comment on various issues relating to information disclosure in the New Zealand gas sector. This paper set out a number of elements associated with a possible problem statement.

We received twenty submissions on the Options Paper from a wide range of parties spanning the New Zealand energy sector. There are a number of submissions containing detailed responses to various issues raised in the Options Paper, with some having different perspectives on several issues. Given the range of perspectives in the submissions, Gas Industry Co decided to have a cross-submissions process for parties to provide further information on issues they consider are important. We received thirteen cross-submissions, including two from parties that had not provided an initial submission. The relatively large number of submissions and cross-submissions (by energy sector standards) reinforces the point that many parties consider transparent and even access to information in the gas sector to be an important issue.

Issues Identified in Submissions

The Options paper identified various possible information issues in the gas wholesale market. These potential issues relate primarily to the availability of information in the market including issues associated with information transparency and asymmetry. There are divergent views on the information problems discussion in the paper. Upstream parties (OMV, Todd, Greymouth and PEPANZ) consider that specific problems were not identified in the Options paper. In contrast, several parties broadly agree with the information issues identified in the paper. Notwithstanding these different perspectives, parties broadly agree that planned and unplanned production outage information should be disclosed to the market. The next step in Gas Industry Co's workstream will involve the identification of a problem statement for information disclosure in the gas industry.

The Options paper identified two broad implementation options for information disclosure: a regime could be introduced as an agreed industry arrangement or alternatively through regulation. Upstream parties, together with Meridian, support an industry-led approach to information disclosure. Twelve parties either have reservations about the viability of an industry-led approach or do not support this approach. These parties consider that a regulatory solution to information disclosure is required. However, several parties comment that an industry-led approach may be useful as an interim, short-term solution.

As noted above, there is a broadly consistent theme across submissions that upstream production planned and unplanned outage information should be disclosed. Most submitters consider that disclosure of this information should be the highest priority for the information disclosure workstream. Upstream parties acknowledge this view in their cross-submissions. They note that PEPANZ, along with major gas producers (OMV, Todd Energy, Beach Energy and Greymouth Gas) are actively working to develop an industry-led disclosure regime for gas

production outages. OMV comments that it would be good to see parties proactively implementing a solution to provide outage information so that there is a broad approach to disclosure across the industry. Recognising some stakeholders' request for the timely introduction of an information disclosure regime, Gas Industry Co will continue work on a problem statement and, if appropriate, a regulatory alternative in parallel to the industry's work on an industry-led approach to information disclosure.

The Options paper considered the disclosure of both planned and unplanned outages for major users. There are mixed views about whether these outages should be disclosed. Several submitters comment that these consumers are a significant part of the gas market and should be required to disclose outage information. Some parties disagree that major users' plant outages should be included in an information disclosure regime. Submissions from these parties centre mainly on the impact that information disclosure could have on Methanex. Methanex's submission focusses on the potential for its competitors to use outage information to gain competitive advantage.

The Options paper considered the disclosure of both planned and unplanned outages for transmission pipelines. Parties are generally comfortable with how information surrounding transmission outages is currently disclosed. However, there are a few submitters who would like to see some improvements made.

Seven parties comment that storage (including the Ahuroa Gas Storage Facility) information should be included in a disclosure regime. First Gas comments that it would welcome further discussion on Ahuroa gas storage information disclosure.

The Options paper considered the requirement for gas producers to provide production information for the coming year. Twelve submitters would like to see forecast gas production information disclosed. In contrast, upstream parties are opposed to further disclosure of forecast production. Several upstream parties note that annual production forecast information is already available from MBIE¹. Gas Industry Co is working with MBIE to see whether this information can be provided earlier than has occurred in previous years. The Electricity Authority, together with input from Gas Industry Co, is doing work to understand options for disclosure of thermal generators' thermal fuel (coal and gas) positions.

The Options paper considered the requirement for major users to provide consumption information for the coming year. There are mixed views between parties on whether an information disclosure regime should include forecast consumption disclosure. Methanex states that its consumption information is commercially sensitive, and it does not believe that its provision would be effective in dealing with security of supply issues. Methanex makes the general point that aggregation of data would not address its confidentiality concerns, given the large size of its gas consumption relative to other users.

The Options paper identified the publication of lagged emsTradepoint price and volume information as a potential avenue for improving the availability of this market information. Submitters generally agree that this information should be disclosed publicly. However, four parties note that this information is already available through a \$5,000 p.a. read-only subscription to emsTradepoint. emsTradepoint considers that the entry level annual fee is not unreasonable. It is considering different levels of subscription-based access and information depending on the participation level. emsTradepoint has recently added a lagged, weekly publication of its Monthly and Quarterly Indices to its public website as a free service.

¹ MBIE's 2018 release of Reserves, Activity and Field Data includes producers' forecasts of annual gas production from 2018 - 2053.

A further option for improving market information identified in the Options paper is the publication of weighted average price and volumes from gas traded under bilateral contracts. Five parties support the further development of this option. Seven parties (including all upstream submitters) do not support the option and consider that it should not be progressed further. Upstream parties make a number of points regarding the practical issues associated with implementing this option.

Several submissions make the point that some parties (particularly those parties who do not participate regularly in the gas wholesale market) may be unaware of some information that is publicly available. Gas Industry Co intends to develop an information portal, which will be a one-stop launch-place for parties to access publicly available information.

Next Steps

There are several strands of work underway related to this information disclosure workstream, including:

- **Gas production outages.** Gas producers are currently developing industry-led arrangements for the disclosure of production outages;
- **ems-Tradepoint price & volume information.** emsTradepoint is re-designing its website over the next six months or so, with different levels of subscription-based access and information. emsTradepoint has started publishing price measures on a weekly basis on the public part of its website;
- **Thermal fuels information disclosure for electricity generators.** The EA, together with Gas Industry Co, is progressing this issue;
- **Currently available information.** Gas Industry Co intends to develop an information portal on its website for parties to access and understand information that is publicly available already;
- **Industry notifications page.** Gas Industry Co has recently provided a page on its website for stakeholders to post any industry notifications. The page has been developed in response to requests from stakeholders that an online tool be made available for the industry to voluntarily post notifications. The page is not intended to replace, and does not reflect any of the outcomes of, this Information Disclosure workstream;
- **Gas production information.** This information is already published by MBIE. In 2019, MBIE provided the information earlier than in other years. It may be possible to bring the publication date forward further;
- **Gas quality information.** Under its gas quality workstream, Gas Industry Co will consider what further gas quality information is required by the industry. Work is expected to begin on this before the end of the calendar year.

The next step in Gas Industry Co's work programme on information disclosure will involve the development of a specific problem statement along with particular information disclosure elements. A paper on this topic will be released for consultation in October.

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1. Introduction and purpose

1.1 Purpose

The purpose of this paper is to provide an analysis of the submissions and cross-submissions that Gas Industry Co has received on the *Options for Information Disclosure in the Wholesale Gas Sector* consultation paper ('Options paper'). We also set out the next steps in Gas Industry Co's information disclosure workstream.

1.2 Introduction

Recent events in the gas industry have brought an increased focus on information availability in the sector. The industry has seen several production outages occurring over a relatively short space of time and this has led to questions, from both within the industry and the broader energy sector, about information transparency and asymmetry in the wholesale gas market.

Further to the concerns raised by the industry, on 25 July 2018, Gas Industry Co received a letter from the Minister of Energy and Resources Hon Dr Megan Woods, where she raised her concern that if information is not required to be disclosed in a timely manner it may have a material effect on the wider market for gas. The Minister requested that Gas Industry Co investigate the current information disclosure requirements and consider whether they are adequate.

Over the course of the Gas Transmission Access Code (GTAC) workshops in 2018, a number of industry participants sought information disclosure by large interconnected parties as a part of their interconnection agreements. It was determined that issues relating to the transparency of outage information that may impact the gas wholesale market is an issue that requires broader consideration than the GTAC process. Parties concluded that this matter should be progressed by a separate work stream led by Gas Industry Co.

Recognising the issues and concerns identified above, Gas Industry Co established a workstream to progress issues related to information availability. This workstream will consider whether current market arrangements related to information disclosure in the wholesale gas sector are sufficient or whether further arrangements are required.

The *Options for Information Disclosure in the Wholesale Gas Sector* consultation paper ('Options paper') was released in March, representing the first formal step in the workstream. The purpose of the paper was to provide stakeholders with the opportunity to comment on various issues relating to information disclosure in the New Zealand gas sector. This paper set out a number of elements associated with a possible problem statement. It discussed the importance of information for the operation of a well-functioning market. Various options for improving information transparency in the gas market were described at a concept level.

Submissions on the Options paper were received on 17 April. A number of submissions have detailed responses to various issues raised in the Options Paper, with some having different perspectives on several issues. Given the range of perspectives in the submissions, Gas Industry Co decided to have a cross-submissions process for parties to provide further information on issues they consider are important. Cross-submissions closed on 27 June.

2. Issues Identified in Submissions

2.1 Submissions Received

Submissions were received from twenty parties:

- Electricity Authority (EA)
- Major Energy Users Group (MEUG)
- Transpower Limited (Transpower)
- Mercury Limited (Mercury)
- Meridian Energy Limited (Meridian)
- Energy Link Ltd (EnergyLink)
- Petroleum Exploration & Production New Zealand (PEPANZ)
- Greymouth Gas New Zealand Limited (Greymouth)
- OMV New Zealand Limited (OMV)
- Todd Energy Limited and Nova Energy Limited (Todd)
- First Gas Limited (First Gas)
- Trustpower Limited (Trustpower)
- Genesis Energy Limited (Genesis)
- Contact Energy Limited (Contact)
- Vector Limited (Vector)
- Major Gas Users Group (MGUG)
- New Zealand Steel Limited (NZ Steel)
- Fonterra Co-operative Group Limited (Fonterra)
- Methanex New Zealand Limited (Methanex)
- emsTradepoint Limited (emsTradepoint)

Cross-submissions were received from the following thirteen parties:

- Haast Energy Trading Limited (Haast)
- Flick Energy Ltd (Flick)
- MEUG
- Transpower
- PEPANZ
- Greymouth

- OMV
- Todd
- First Gas
- Trustpower
- Vector
- MGUG
- emsTradepoint

The submissions and cross-submissions are reasonably varied: some are brief, while others are extensive. The focus of individual submissions tends to reflect the industry and part of the market that the submitter belongs to.

In this section we summarise the main themes that emerge from parties' submissions and cross submissions. Where appropriate, we comment on the points raised.

2.2 Information Disclosure Problem Statement

The Options paper identified various possible information issues in the gas wholesale market. These potential issues relate primarily to the availability of information in the market including issues associated with information transparency and asymmetry. These issues stem from the concentrated nature of the sector (in both the supply and demand parts of the sector) and the nature of the arrangements between sellers and buyers of gas.

Submitters have divergent views on the potential issues that were identified.

Upstream parties (OMV, Todd, Greymouth and PEPANZ) consider that particular problems are not identified in the paper. They comment that the paper identifies potential information gaps (or transparency issues) which may not necessarily cause problems for parties in the market (or those indirectly affected by the gas wholesale market, such as electricity companies). For instance, Greymouth notes that it does not follow that every information gap is a problem. Todd considers that the problem statement is critical to inform the scope of an information disclosure regime.

Upstream parties also note that some information is already currently provided. Particular mention is made of information that is provided to the Ministry of Business, Innovation and Employment (MBIE) under the Crown Minerals (Petroleum) Regulations (2007). For example, forecast production information is submitted to MBIE who publishes the information annually (see section 2.11). Notwithstanding this perspective, all upstream parties recognise that information about gas production outages (both planned and unplanned) is important for the efficient operation of the gas market.

In contrast, several parties (including Haast, Mercury, Meridian, Trustpower, Genesis, Contact, Vector and emsTradepoint) broadly agree with the information issues identified in the paper. For instance, Trustpower notes that there are a number of aspects of current market arrangements that are opaque, leading to market inefficiencies. Mercury submits that planned and unplanned outages in gas production or pipeline transmission can result in some parties having information ahead of other market players (e.g. thermal generators may have information before other electricity sector participants). This asymmetric information may have an impact on other market participants' risk positions and confidence in the electricity spot and futures markets.

Gas Industry Co Comment

A full understanding of the problem statement is an important part in the possible establishment of an information disclosure regime. The development of a focused problem definition will be a key part of the next stage of the workstream.

2.3 Limited Understanding of Currently Available Information

Upstream parties consider that part of the perceived problem with information availability stems from the fact that there is a lack of knowledge by some parties regarding the availability of current public information. For instance, Todd notes that there is a lack of knowledge by non-gas industry companies regarding availability of information already in the public domain or information that can be purchased. Todd provides a schedule of publicly available information relating to gas supply in its submission.

Similarly, Genesis comments that it is important for parties to be aware of information that is readily available. It considers that there is a role for Gas Industry Co and the Electricity Authority (EA) to educate parties on the information that is available publicly.

The EA identifies this issue in its UTS (undesirable trading situation) decision of 14 February 2019² (relating to the period 15 September – 8 November 2018):

- 9.55 The investigation has highlighted that:
- (a) many participants are not making use of the range of publicly available information regarding gas supply and other factors affecting the wholesale market
 - (b) the perception of information asymmetry was much larger than the actual asymmetry
 - (c) publicly available information regarding gas supply and other factors affecting the wholesale market is difficult to find and interpret...

TDB Advisory (TDB) makes a similar point in its report to the Major Electricity User Group (MEUG) on Gas Industry Governance³. Regarding the second Pohokura outage event in 2018, TDB notes: “A significant number of respondents including regulators, upstream firms and some downstream firms indicated information was available about the second Pohokura event but was not being picked up by some industry players”.

Gas Industry Co Comment

It appears that some parties (particularly those parties who do not participate regularly in the gas wholesale market) may be unaware of some information that is publicly available. They may also have difficulties in interpreting this information. Gas Industry Co intends to develop an information portal on its website, which will be a one-stop launch-place for parties to access publicly available information. The portal will include a guide to assist in the interpretation of this information. In addition, the EA is looking to link to some gas data in its Electricity Market Information (EMI) website.

2.4 Industry-led or Regulated Information Disclosure Regime

² Electricity Authority (2019). “The Authority’s decision on claim of an undesirable trading situation: Claim submitted 8 November 2018 by Electric Kiwi, Flick Energy, Pulse Energy, Switch Utilities (Vocus), and Vector”, 28 February 2019

³ TDB Advisory (2019). “Gas Industry Governance: Incentives, Regulation and Outcomes”, 29 April 2019

The Options paper identified two broad implementation options for information disclosure: a regime could be introduced as an agreed industry arrangement (or industry-led arrangement) or alternatively through regulation.

The paper listed voluntary (rules-based) and principles-based disclosure as possible forms of industry-led arrangement. A number of parties have used the term 'voluntary' as meaning an industry-led arrangement, with specific rules or principles-based approaches sitting as options under this heading. To be consistent with the Options paper, we retain the 'industry-led' term in this discussion.

We note that it is possible that some types of information could be implemented under an industry-led approach while others may require regulation. The overall disclosure regime could conceivably be a hybrid regime, with a mix of industry-led and regulation-based information disclosure.

Five submitters support an industry-led approach to information disclosure (upstream parties and Meridian). Meridian's view is that Gas Industry Co should work with participants to take an industry-led agreement forward with urgency. Todd comments that an industry-led option would be low cost and simple. It suggests that industry-led arrangements could be easily amended over time to ensure they were meeting the objectives for a disclosure regime. The upstream parties recognise that there is a risk of non-compliance; however, OMV notes that the potential for regulatory intervention would be an incentive to ensure participation. Upstream parties consider that this disclosure should be limited to information on planned and unplanned outages.

Twelve parties either have reservations about the viability of an industry-led approach or do not support this approach. Transpower, for instance, considers that commercial incentives may be a barrier to voluntary disclosure. The EA makes a similar point in its submission. It notes that while a voluntary regime provides the potential for swift and low-cost implementation, the experience in the electricity sector is that parties won't disclose information where they don't have the appropriate incentives. The EA also notes that enforcement of an industry-led regime would be difficult. MGUG has similar concerns regarding compliance and enforcement. First Gas comments that greater information disclosure was discussed during the development phase of GTAC and an agreement was unable to be reached with the industry.

Several parties comment that an industry-led approach may be useful as an interim, short-term solution so that a disclosure regime for key information (particularly production outage information) can be implemented quickly. A regulated approach could be introduced later as a longer-term solution. This issue of prioritisation is discussed further in section 2.16.

PEPANZ, along with New Zealand's major gas producers (OMV, Todd Energy, Beach Energy and Greymouth Gas) are currently working to develop an industry-led disclosure regime for gas production outages (see section 2.6 for a more detailed discussion of upstream outage disclosure). OMV comments that the proposed framework will include compliance and enforcement mechanisms. OMV, Todd and PEPANZ note that the threat of regulation (pending changes to the Gas Act) provides a strong incentive for compliance in itself.

OMV suggests that other parts of the gas industry may wish to consider implementing similar voluntary arrangements for information disclosure. OMV comments that it would be good to see parties proactively implementing a solution to provide outage information so that there is a broad approach to disclosure across the industry. It notes that changes to the Gas Act will mean that a regulated solution may be implemented if a voluntary approach proves inadequate.

Gas Industry Co Comment

From a process perspective, Gas Industry Co must first identify whether there is an issue with information disclosure in the gas industry. If there is an issue, the Gas Act requires Gas Industry Co to ensure, before making a recommendation for regulation, that an information disclosure regime is unlikely to be satisfactorily achieved by any other practical means. We will consider regulation where an industry-led approach is unlikely to satisfactorily achieve the objective of improved information transparency.

We note that upstream parties are working currently on the development of arrangements for the disclosure of upstream production outages (including planned and unplanned outages). Gas Industry Co will review these arrangements as part of our information disclosure workstream. Recognising some stakeholders' request for the timely introduction of an information disclosure regime, Gas Industry Co will continue work on a problem statement and, if appropriate, a regulatory alternative in parallel to the industry's work on an industry-led approach to information disclosure.

2.5 Principles or Specific Approach to Information Disclosure

The Options paper identified two broad approaches to information disclosure: specific (or rules-based) and principles-based disclosure. These could be implemented as an industry-led arrangement, a regulated solution, or as a hybrid arrangement.

A principles-based approach to information disclosure focuses on achieving an outcome rather than setting detailed rules that parties must adhere to. Under this approach, parties would disclose any information that they hold that they expect would have a material impact on prices in the wholesale market if it was made publicly available. Specific disclosure has rules detailing the information that set out what parties must disclose.

Submissions are evenly balanced on the issue of whether a principles or specific approach to information disclosure should be implemented. Two parties think that both options are workable or that there could be a mix of options.

Parties favouring a principles-based approach note that it would avoid the risk of loopholes. It would be consistent with the approach used in the electricity sector, which has proved effective. Guidelines would be required under this form of regime and these would need to be well understood by parties. Of those who provide an opinion, most consider that a principles-based approach would only work under a regulated information disclosure regime. For instance, emsTradePoint consider that a strong obligation, which is provided by a regulatory solution, would be required to ensure that the principles yielded consistent information. The EA lists a number of drawbacks with an industry-led, principles-based approach, including an uncertainty over whether it could be enforced and whether disclosure would be adequate. It considers that a principles-based approach is likely to be most effective if it was implemented as a regulatory solution.

Parties supporting a specific (or rules-based) approach favour the certainty they consider the approach would provide. For example, Genesis notes that a key disadvantage of a principles-based approach is the uncertainty that can cloud parties' judgement on whether information should be disclosed. This creates the potential for different interpretations regarding the types of information that should be disclosed, including the thresholds for disclosure. A specific, rules-based approach avoids this problem. Similarly, Fonterra comments that, under a principles-based approach, parties may take different approaches to information disclosure. It would like to see information available quickly and symmetrically when an outage occurs. Todd notes in its cross-submission that the 'market impact' test in a principles-based approach may be difficult to gauge in a gas wholesale market that consists primarily of bilateral contracts (in contrast to the

New Zealand wholesale electricity market which is a gross pool market). Todd considers that there would need to be considerable guidance as to what constitutes material information.

Gas Industry Co Comment

The form of information disclosure regime is obviously a critical issue that needs to be determined. The approach will depend on the types of information that are disclosed and whether the information is disclosed under an industry-led arrangement or regulatory approach.

2.6 Upstream Production Outages Disclosure

The Options paper considered the disclosure of information related to both planned and unplanned outages for gas production facilities ('upstream production outages').

As noted in section 2.4, there is a broadly consistent theme across submissions that upstream production outage information should be disclosed. This view is shared by parties from across the wider energy sector, including the various segments of the gas industry. Submitters generally see upstream production outage disclosure as critical for information transparency and a well-functioning market. First Gas notes that having consistent and timely information on major gas production outages would help to build confidence in a well-functioning gas market.

PEPANZ's submission identifies two reasons why the disclosure of upstream outage information may be important to the industry. First, changes in gas availability directly affect the operations of industry participants and so information on events that may affect this availability are important for participants' decision making. Secondly, outage disclosure can enable the coordination of planned maintenance. This second point is reinforced in NZ Steel's submission where it notes that if the timing of the more recent Pohokura outages had been made visible then NZ Steel would have been able to coordinate its planned maintenance and substantially reduce its gas requirements.

Many of the submitters emphasise that the timely availability of information regarding upstream production outages is their key concern regarding information transparency in the gas sector. They comment that information disclosure on gas production outages should be the main priority for this information disclosure workstream. This issue of prioritisation is discussed further in section 2.16.

Many submitters do not provide specific details of what they expect to see in a production outage disclosure regime. However, there is general agreement across those parties who do provide more detailed comments. First Gas, Genesis, Todd and Vector expect to see information related to an estimated outage duration and the associated reduction (either in volume or capacity). First Gas and Genesis would also like to see background information relating to the cause of any outage disclosed.

In addition to the details of what should be disclosed, many submitters agree that it is appropriate to have an outage threshold, i.e. only upstream production outages of a certain size should be disclosed. This view is shared by many submitters (the EA, Contact, emsTradepoint, First Gas, Fonterra, Genesis, Greymouth, OMV, Todd, Transpower and Vector). emsTradepoint and Vector suggest that the requirement should be to disclose any outage that would have a material impact on the market, but not outages below this threshold. The only party that does not agree that a minimum threshold is appropriate is Meridian who considers that all outages should be disclosed. Other submitters are either undecided or silent on this matter.

Although the upstream parties agree that the disclosure of upstream production outage information is appropriate, Todd and OMV note in their submissions that there would need to be an understanding that any information they were to supply during outages (particularly during

unplanned outages) would be uncertain and subject to change. This issue is also recognised in some downstream party submissions. For instance, Fonterra notes that it would rather have timely information even if it was inaccurate, as this would allow it to plan for various contingencies.

As noted in section 2.4, major gas producers (OMV, Todd Energy, Beach Energy and Greymouth Gas) and PEPANZ are actively working to develop an industry-led disclosure regime for gas production planned and unplanned outages.

Gas Industry Comment

In parallel to upstream parties' work on industry-led arrangements, Gas Industry Co will develop a problem statement and, if appropriate, a regulatory alternative in the event that industry parties do not reach agreement on a workable solution.

2.7 Major User Outages Disclosure

The Options paper considered the disclosure of both planned and unplanned outages for major users (excluding those that may fall under a possible size threshold).

Parties have mixed views about whether an information disclosure regime should include gas major users' plant outages.

Several submitters (Contact, the EA, Haast, MEUG, emsTradepoint, First Gas, Fonterra, Genesis, Meridian, Trustpower and Vector) consider that major users make up a large portion of the demand-side of the gas market and therefore should be required to disclose outage information. The EA considers that parties (including major users) should disclose information they hold about themselves that could affect the market. emsTradepoint comments that information disclosure by major users is critical to providing information symmetry to the market and avoiding increased risk for other trading participants. Flick would like to see outage disclosures from major gas users who are also participants in the electricity market.

Some parties (including Methanex and Todd) disagree that major users' plant outages should be included in an information disclosure regime. Submissions from these parties focus mainly on the impact that information disclosure could have on Methanex. Methanex's submission warns that it would "face adverse consequences if information on planned outages were to be widely disclosed, given the prospect that its competitors in global methanol markets would be able to use that information to gain a competitive advantage, where those competitors are not required to disclose such information themselves". Methanex requests that Gas Industry Co carries out further investigation in to why in Australian markets major users have lesser disclosure requirements, including why LNG producers are treated differently to other major users. OMV and Todd note that they are cognisant of Methanex's concerns and that they may warrant Methanex being excluded from any disclosure requirements.

In contrast to Methanex's concerns, Fonterra, another major user, considers that it is appropriate for major users to disclose outage information if an outage is expected to materially impact the market. Fonterra notes that, due to its seasonal production profile, its planned outage information is already in the public domain. Fonterra considers that its unplanned outages would not materially impact the market and therefore should sit below an agreed threshold.

Gas Industry Co Comment

The scope of an information disclosure regime is an important issue to be addressed as Gas Industry Co defines the problem statement and identifies particular options.

2.8 Storage Information Disclosure

The Options paper did not specifically consider the disclosure of gas storage information. However, seven parties (emsTradepoint, Flick, First Gas, Greymouth, MGUG, Todd and Trustpower) comment that storage information should be included in a disclosure regime. Greymouth provide the reasoning that storage, in general, has a material impact on both security of supply and prices.

The Ahuroa Gas Storage Facility ('Ahuroa') is mentioned specifically by emsTradepoint, Flick and Todd in their submissions. These parties would like the aggregate storage across all parties using the facility to be disclosed publicly. Ahuroa is owned by Gas Services New Zealand but First Gas submitted on its behalf. First Gas notes in its submission that Gas Services New Zealand is currently unable to disclose storage information due to its contractual agreements however, it is willing to seek the consent of existing and future users of the facility. First Gas suggests that an alternative could involve users of Ahuroa supplying the information directly. Either way, First Gas comments that it would welcome further discussion on Ahuroa gas storage information disclosure.

Gas Industry Co Comment

The scope of an information disclosure regime is an issue that will be addressed as Gas Industry Co defines the problem statement and identifies particular options.

2.9 Transmission Information Disclosure

The Options paper considered the disclosure of both planned and unplanned outages for transmission pipelines.

Six submitters (Contact, emsTradepoint, Genesis, MGUG, NZ Steel, Todd and Vector) consider that the current level of information disclosed by First Gas (the transmission owner) is adequate. In fact, NZ Steel praises First Gas for the process it followed to inform the industry of a transmission pipeline outage that occurred while it created a bypass on the Maui pipeline in 2018. NZ Steel explains that the regular updates First Gas provided enabled it to continually assess the risk and its contingency plans. emsTradepoint also thinks that the current level of disclosure by the transmission owner is sufficient.

Despite the general level of comfort around how information surrounding transmission outages is currently disclosed there are a few submitters who would like to see improvements made (Fonterra, Greymouth, Flick and Mercury). For instance, Mercury and Fonterra comment that they would like greater, structured visibility on pipeline transmission outages (planned and unplanned). First Gas notes in its submission that it is open to a discussion on providing further information that participants need.

Gas Industry Co Comment

The scope of an information disclosure regime is an issue that will be addressed as Gas Industry Co defines the problem statement and identifies particular options.

2.10 Gas Quality Information Disclosure

Vector's submission suggests that Gas Industry Co should consider including gas quality information in an information disclosure regime. Vector would like to see more timely notifications of when gas that has been injected into the pipeline diverges from gas specification standards. It considers that issues relating to asset lives and consumer safety could potentially arise if this information is not disclosed.

Gas Industry Co Comment

Gas Industry Co is cognisant of Vector's concerns. This issue will be addressed in our separate Gas Quality workstream to ensure the appropriate discussions and consultations take place. Further work in this workstream is expected to take place before the end of the calendar year.

2.11 Forecast Production Disclosure

The Options paper considered the requirement for gas producers to provide production information for the coming year (or quarterly information over the year).

There are mixed views between parties on whether an information disclosure regime should include forecast production disclosure.

Thirteen submitters (Contact, the EA, Flick, emsTradepoint, EnergyLink, First Gas, Fonterra, Genesis, Mercury, Meridian, Transpower, Trustpower and Vector) would like to see forecast gas production information disclosed. Transpower notes that production forecasts could assist its security of supply forecast assessments. Contact considers that the information would be beneficial to the wider industry because it would enable parties to schedule plant outages during periods of lower supply. emsTradepoint also agree that forecast production information is important; however, they wonder whether 12 months is sufficient to strengthen longer-term gas trading as typical supply agreements have terms of 24-36 months. EnergyLink have a slightly different perspective in that although it considers that forecast production information could be useful, it wonders whether it may not be necessary if upstream production outages are adequately disclosed as parties may be able to work these forecasts out for themselves.

In contrast to the above views, the upstream parties (Greymouth, OMV, PEPANZ and Todd) are opposed to further disclosure of forecast production. Several of the parties note that annual production forecast information is already available from MBIE⁴. OMV comments that MBIE is currently assessing the timing and content of the information it publishes. OMV also notes that if the electricity industry is interested in this information to assist with their understanding of thermal supplies then it considers that this should be addressed under the electricity, not gas, industry disclosure regime.

Gas Industry Co Comment

As upstream parties note, annual production forecast information is available from MBIE. However, the information that is supplied by producers in March is often not published until several months later. In 2019, MBIE provided the information in June, which was earlier than in other years. This timing may limit the usefulness of the information for electricity companies who are particularly interested in understanding fuel availability (both thermal and hydro) for the winter period. It may be possible to bring the publication date forward further.

The EA, together with input from Gas Industry Co, is doing work to understand options for disclosure of thermal generators' thermal fuel (coal and gas) positions.

More generally, the scope of an information disclosure regime is an issue that will be addressed as Gas Industry Co defines the problem statement and identifies particular options.

2.12 Forecast Consumption Disclosure

The Options paper considered the requirement for major users to provide consumption information for the coming year (or quarterly information over the year).

⁴ MBIE's 2018 release of Reserves, Activity and Field Data includes producers' forecasts of annual gas production over the period 2018 - 2053.

There are mixed views between parties on whether an information disclosure regime should include forecast consumption disclosure.

Seven parties (Contact, the EA, emsTradepoint, Fonterra, Mercury, Meridian and Transpower) would like to see consumption forecasts disclosed. Transpower notes that consumption forecasts could assist its security of supply forecast assessments. emsTradepoint also considers that this type of disclosure is important to ensure information symmetry. Genesis does not necessarily support forecast consumption disclosure but notes in its submission that it would be comfortable providing regularly updates, as a major user, conditional on the information being aggregated with similar information provided by other major users. Fonterra notes that the data would need to be aggregated.

Greymouth, Methanex and OMV are opposed to the disclosure of consumption forecasts by major users. Methanex states that the information is commercially sensitive, and it does not believe that its provision would be effective in dealing with security of supply issues. Methanex makes the general point that aggregation of data would not address its confidentiality concerns, given the large size of its gas consumption relative to other users.

Gas Industry Co Comment

The scope of an information disclosure regime is an issue that will be addressed as Gas Industry Co defines the problem statement and identifies particular options.

2.13 emsTradepoint Price and Volume Disclosure

The Options paper noted that an understanding of traded quantities and prices by all parties in a market is necessary for the efficient operation of that market. The paper identified the publication of lagged emsTradepoint price and volume information as a potential avenue for improving the availability of this market information.

Submitters generally agree that this information should be disclosed publicly. However, four parties note that this information is already available through a \$5,000 p.a. read-only subscription to emsTradepoint. For instance, OMV comments that the relatively low level of this fee should not be a barrier to industry participants. In Todd's cross-submission, it notes that the Wholesale Information and Trading System (WITS) 'Free to Air' information source for the electricity sector is paid for by electricity participants through a levy.

In its submission, emsTradepoint "agree[s] that lagged traded volumes and prices should be disclosed under an information disclosure regime." emsTradepoint comments that it supports this option and will work to deliver it. emsTradepoint goes further to suggest that all gas wholesale market trades should be published through this same mechanism in order to ensure uniformity, availability and price discovery.

emsTradepoint takes a different position in its cross-submission. It states that "In our view the entry level annual fee of \$5000, to access this [emsTradepoint price and volume] information is not unreasonable and, as we have paying participants we assume they derive at least that value in benefits." emsTradepoint notes that it "...will continue to provide subscription-based access to our exchange." It is considering different levels of access and information depending on the participation level. emsTradepoint has recently added a lagged, weekly publication of its Monthly and Quarterly Indices and daily volume weighted average prices to its public website as a free service.

2.14 Contract Price and Volumes Disclosure

A further option for improving market information identified in the Options paper is the publication of weighted average price and volumes from gas traded under bilateral contracts.

Under this option, parties would report price and quantity information to an independent party, who would publish aggregated information.

Six parties support the further development of this option (Meridian, the EA, Contact, Flick, Vector and emsTradepoint). The EA considers that the focus should be on volumes disclosure. Vector considers that work on the option should be a lower priority relative to work on outage information disclosure.

Seven parties do not support the option and consider that it should not be progressed further (OMV, Todd, Greymouth, PEPANZ, Trustpower, Genesis and Methanex). A number of arguments are made supporting this position, including:

- A 'problem' has not been identified that would support or require the disclosure of commercially sensitive information. For instance, Trustpower notes that while there is a gap in price and volume information related to gas supply agreements (GSAs), "...it is not clear this is creating any inefficiencies in the gas market that need to be immediately addressed."
- The price in a GSA reflects the market dynamics at the time the contract was entered into rather than the current market, so an aggregation of GSA prices will not necessarily reflect current market conditions;
- GSA terms and conditions are bespoke (particularly for larger wholesale contracts) so aggregating or averaging price and quantity information from these contracts would provide limited information. The contract terms would need to be standardised in some way for aggregation to make sense;
- Methanex and Todd comment that the gas market is not large enough for the terms of major commercial deals (particularly GSAs that Methanex enters into for its gas supply) to be 'hidden' through aggregation.

EnergyLink considers that contract disclosure arrangements should mirror those in the electricity sector. Along a similar vein, Meridian considers that information including the "...forward price curve, level of trading and level of depth" should be disclosed.

Responding to EnergyLink's point, Todd notes in its cross-submission that the amount of gas available at any time for thermal generation is driven by a range of factors (including gas production capacity, contractual priorities and commitments of parties that can potentially make gas available). The electricity and gas wholesale markets have different characteristics. On Meridian's comment, Todd notes that the wholesale gas market does not have the structure to provide the information that Meridian proposes.

Finally, TDB Advisory's report on Gas Industry Governance⁵ recommends against introducing disclosure obligations for commercial information except where it is clear such disclosure would solve identified problems. TDB notes that "Disclosure obligations carry the risk of reducing incentives for investment in the production of information. Compared with outage information, incentive risks are higher around commercial information."

Gas Industry Co Comment

This option of contract price and volumes disclosure elicited some strong comments, particular from parties that do not support the option. The merits of this option will be evaluated in the next stage of the workstream.

⁵ TDB Advisory (2019). *"Gas Industry Governance: Incentives, Regulation and Outcomes"*, 29 April 2019

2.15 Gas Reserves and Resources Reporting

The Options paper noted that producers disclose annual petroleum field reserves and contingent resources (2P and 2C) to MBIE. This information is provided under the Crown Minerals (Petroleum) Regulations (2007). The paper commented that there may be some gaps in this information.

MGUG's submission considers that this reserves and contingent resource information lacks explanation into the sources of contingency, and investment programme information associated with contingent resources and gas reserves. It notes that this information is typically 7-8 months out of date before it is published⁶. MGUG also comments that deliverability information for each field is historic and of limited value.

Gas Industry Co Comment

Upstream parties disclose a range of information to MBIE in their annual reports, under the Crown Minerals (Petroleum) Regulations (2007). This disclosure includes the information highlighted by MGUG. MBIE provides some of this information publicly in its Reserves, Activity and Field Data report. We understand that MBIE may be looking to review the information it publishes from these reports.

2.16 Priorities for Information Disclosure

Most submitters consider that improved information regarding planned and unplanned plant outages should be the highest priority for the workstream. This focus recognises the importance that these parties place on outage information. Parties are particularly interested in improved production outage information, although several also include major user outages in the scope of improved outage information (see sections 2.6 and 2.7).

Upstream parties consider that plant outage information should be the sole focus (or only priority) of the workstream. With the exception of OMV, they also see that the provision of emsTradepoint information could be useful.

Several other parties (including Transpower, Genesis, Vector, Meridian and emsTradepoint) consider that the other options canvassed in the Options paper should be further explored, but this should be a lower priority or second phase of work. For example, Vector suggests a two-stage approach for the workstream. It suggests that the first stage would focus on disclosure obligations on unplanned and planned outages as a matter of priority. The second stage would focus on other types of information.

Gas Industry Co Comment

The narrowing or prioritisation of options will be a key issue in the next stage of the workstream. We note that upstream parties are working on the development of an industry-led regime for production outages disclosure. emsTradepoint is working on a redevelopment of its website and has recently brought Monthly and Quarterly Indices and daily volume weighted average prices from behind its paywall. The EA and Gas Industry Co are also working on improving the disclosure of thermal fuels arrangements in the electricity sector.

2.17 Publication Options

⁶ MBIE requires gas producers to submit information by 31 March. In 2019, MBIE produced its Reserves, Activity and Field Data report in mid-June.

The Options paper suggested several possible channels for publishing information. The appropriate channel will depend on the type of information being disclosed.

There is some support for a single, central source of information. However, Todd notes that participant's own websites could provide greater flexibility and prove easier for updating information.

There is also some support for an energy sector wide information platform, possibly using the POCP website for outage information. The EA notes that POCP is currently in the process of being redeveloped, so its design could potentially be adjusted to incorporate gas sector information. A few submitters support the development of a separate platform so that gas information is easy to find.

Some submitters consider that it is premature to be considering publication channel options at this stage.

2.18 Benefits Analysis

A high-level benefits analysis is included in the Options paper to provide an indication of the size of benefits that might be achieved from an information disclosure regime. These benefits centre around a reduction in the overall efficiency losses that are associated with limited information transparency and information asymmetry.

Overall, there is limited feedback on the benefits analysis. This is not surprising given the preliminary nature of the analysis. Some submitters support the general approach. Todd notes several points which a full cost-benefit analysis would need to consider. A couple of submitters note that the analysis should include the benefits of improved information on other related industries (particularly the electricity sector).

Gas Industry Co Comment

If we proceed down a regulatory route for introducing an information disclosure regime, a cost-benefit analysis will be part of the Statement of Proposal.

3. Next Steps

There are several strands of work underway related to this information disclosure workstream, including:

- **Gas production outages.** Gas producers are currently developing industry-led arrangements for the disclosure of production outages (both planned and unplanned).
- **ems-Tradepoint price & volume information.** emsTradepoint is re-designing its website over the next six months or so, with different levels of access and information depending on the participation level. It will continue to provide subscription-based access to its exchange. However, emsTradepoint has started publishing VWAP (Volume Weighted Average Price), FRMI (Frankley Road Natural Gas Monthly Index) and FRQI (Frankley Road Natural Gas Quarterly Index) price measures on a weekly basis on the public part of its website.
- **Thermal fuels information disclosure for electricity generators.** Somewhat separate to the issues canvassed in the Options paper, some electricity companies have proposed that thermal generators should disclose their thermal fuel (coal and gas) positions. The Genesis submission discusses this point. The EA, together with Gas Industry Co, is progressing this issue.
- **Currently available information.** Some parties may be unaware of some information that is publicly available currently (see section 2.3). Gas Industry Co intends to develop an information portal on its website for parties to access and understand this information. A first version of this portal is scheduled to be launched in a few months.
- **Industry notifications page.** Gas Industry Co has recently provided a page on its website for stakeholders to post any industry notifications. The page was developed in response to requests from stakeholders that an online tool be made available for the industry to voluntarily post notifications. The page is not intended to replace, and does not reflect any of the outcomes of, this information disclosure workstream.
- **Gas production information.** Several parties have commented that they would like to see information regarding forecast gas production. This information is already published by MBIE. In 2019, MBIE provided the information in June, which was earlier than in other years (information is submitted to MBIE in March). It may be possible to bring the publication date forward further.
- **Gas quality information.** Under its gas quality workstream, Gas Industry Co will consider what further gas quality information is required by the industry. Work is expected to begin on this before the end of the calendar year.

The work by upstream parties focuses on a core element of gas information: gas supply outage information. As discussed in section 2.16, most submitters consider that improved information regarding production outages is the biggest issue for information disclosure in the gas industry.

Gas Industry Co will assess any arrangements that are developed against the government's objectives for the gas sector as outlined in the Gas Act and GPS.

The next step in Gas Industry Co's work programme on information disclosure will involve the development of a specific problem statement along with particular information disclosure options. A paper on this topic will be released for consultation in October.

Glossary

Ahuroa	Ahuroa Gas Storage Facility
EA	Electricity Authority
EMI	Electricity Market Information website
FRMI	Frankly road natural gas monthly index
FRQI	Frankly road natural gas quarterly index
Gas Act	Gas Act (1992)
GIC	Gas Industry Co
GJ	Gigajoule
GPS	Government Policy Statement on Gas Governance (2008)
GSA	Gas supply agreement
GTAC	Gas Transmission Access Code
MBIE	Ministry of Business, Innovation and Employment
MEUG	Major Electricity User Group
TDB	TDB Advisory
PEPANZ	Petroleum Exploration and Production New Zealand
PJ	Petajoule
POCP	Planned Outage Co-ordination Process website
UTS	Undesirable trading situation
VWAP	Volume weighted average price

ABOUT GAS INDUSTRY CO

Gas Industry Co is the gas industry body and co-regulator under the Gas Act. Its role is to:

- develop arrangements, including regulations where appropriate, which improve:
 - the operation of gas markets;
 - access to infrastructure; and
 - consumer outcomes;
- develop these arrangements with the principal objective to ensure that gas is delivered to existing and new customers in a safe, efficient, reliable, fair and environmentally sustainable manner; and
- oversee compliance with and review such arrangements.

Gas Industry Co is required to have regard to the Government's policy objectives for the gas sector, and to report on the achievement of those objectives and on the state of the New Zealand gas industry.