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TRUSTPOWER CROSS SUBMISSION: OPTIONS FOR INFORMATION DISCLOSURE IN THE WHOLESALE GAS SECTOR

Introduction

Trustpower appreciates the opportunity to provide a cross submission on the submissions the Gas Industry Company (“GIC”) received on their consultation *Options for Information Disclosure in the Wholesale Gas Sector (the Consultation Paper)*.

Trustpower’s perspective

A regulated arrangement for information disclosure is required

Trustpower continues to consider that regulation will be required to ensure effective disclosure of gas market information. A voluntary arrangement may provide a temporary measure until a regulated solution can be implemented, however we have doubts as to whether a voluntary arrangement would be effective in the long term.

Contact Energy, Energylink, Genesis and First Gas also outline reservations in their submissions around the likelihood of a voluntary arrangement being successful:

“With a number of parties already opposed to disclosing information an industry led disclosure regime either voluntarily or principles seemed unlikely”¹

“We contend that the current situation is no longer tenable and that mandatory information disclosure should be introduced into the gas market: concerning the ability to supply, including outages both planned and unplanned, and of the key details of new gas contracts”²

“[We] believe a voluntary industry led solution is unlikely to be viable in the first instance or sustainable over time, due to the reluctance of some market participants to disclose outage information”³

“We believe that a voluntary disclosure regime would be unlikely to work A voluntary approach would fail if one or more parties opted out, since those parties would gain an advantage. It is also unclear who would enforce the rules agreed under a voluntary approach”⁴

Similarly, the Electricity Authority (**the Authority**) explains that:

¹ Contact Energy, *Submission letter, Options for information disclosure in the wholesale gas sector*, p.1.

² EnergyLink, *ELL submission information disclosure*, p. 4

³ Genesis, *Genesis submission on options paper for information disclosure*, p.2

⁴ First Gas, *First Gas Submission*, p. 4

“Voluntary arrangements are unlikely to achieve the required and timely level of impact, and so may perpetuate uncertainty in the market. Voluntary disclosure provides the potential for swift and low cost implementation and therefore early benefits realization, but our experience is parties won’t disclose when they have the incentive to do, or their incentives are to withhold information. This is why we recommend a regulated approach”⁵

We note that First Gas also has similar views around the short-term role of a voluntary arrangement:

“First Gas is concerned with the timeframe required to bring in a regulated option, as amendments are required to the Gas Act. If the timeframe cannot be shortened, we would encourage the GIC to develop and implement a voluntary prescriptive option that would align with the proposed regulated option. This would provide industry participants with time to identify how they can meet the information requirements. The GIC could also monitor and report on the uptake of the option, placing pressure on industry participants to seek to partake.”⁶

We query OMV’s position, who in contrast to the above believes that *“the gas industry has generally shown a positive approach towards voluntary arrangements”*.⁷ As we have noted on previous occasions, including in our open letter to the GIC in late 2017, we do not consider industry agreement processes have been effective in the gas industry.

OMV, along with many others, have been part of the Gas Transmission Access Code (GTAC) work stream which has been in progress since 2016. The GTAC processes have now been largely completed and yet we note there are still a number of involved parties who have dissenting view. Indeed, at the final stage of the GTAC assessment, Greymouth Gas outlined that the *“...GTAC is materially worse...”*⁸ than the status quo. Further, the broader discussions by industry around how to ensure transmission pipelines can be accessed on reasonable terms began back in 2007.

This experience suggests that voluntary arrangements are unlikely to provide a quick and effective solution to the issues around information asymmetry. We also note that there are strong incentives for some participants to maintain opaqueness in the gas market.

Ensuring the GIC has sufficient powers to regulate in this area will require a change to the Gas Act, which is currently being progressed by MBIE. We continue to support MBIE in ensuring that the GIC’s powers are not unintentionally constrained in considering information disclosure in the wholesale gas market.

Large users should be included in information disclosure regulation

Whilst submissions demonstrate that there are differences in opinion around whether large user information should be disclosed, we are not convinced that large consumers should not be included in the regime.

We agree with Genesis’ and Vector that large users can have a material impact on the market:

“[We] support large users disclosing outage information, noting major demand sources can materially impact the gas market when they come on or offline”.⁹

*“Any proposed information disclosure regime should also include major gas users, whose actions could have significant impact on the gas market.”*¹⁰

⁵ Electricity Authority, *Response to GIC consultation on information disclosure*, p.2.

⁶ First Gas, *First Gas submission*, p. 4.

⁷ OMV, *OMV submission*, p. 3

⁸ Greymouth Gas Letter to GIC re GTAC 18 January 2019, <https://gasindustry.co.nz/assets/Consultations/Uploads/GGNZ-Letter-to-GIC-re-GTAC-18-January-2020.pdf>

⁹ Genesis, *Genesis submission on options paper for information disclosure*, p.1,

¹⁰ Vector, *Submission on the GIC’s Options for Information Disclosure in the Wholesale Gas Sector* p.2

We acknowledge Methanex's comments around disclosure of contract information. However, we disagree with Methanex that disclosure of planned and unplanned outage information would likely have implications for international competitiveness:

"There is significant risk for our business in revealing commercially sensitive information and in particular Methanex is concerned about making public disclosure of forward-looking information; specifically, where the information is individually identifiable and relates to plant outages or contract details. Methanex would face adverse consequences if such information 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 they are not required to disclose such information themselves".¹¹

Whilst Trustpower appreciates that New Zealand represents a sizeable proportion of Methanex own methanol production (approximately 25%), we do not understand how publicly disclosing outage information will materially adversely impact their competitive operations given that New Zealand represents only 3% of global supply.

Indeed the unplanned outages in 2018 have been characterised by Methanex own CEO as "It's inconvenient. It's a little annoying".¹² This indicates that the production constraints were not material and manageable by Methanex.

We note that in developing the gas bulletin board in Australia, similar concerns were raised by LNG exporters around the implications on their international competitiveness if their gas consumption information was made public. Post-implementation of disclosure obligations for these parties, the Australian Energy Market Commission (AEMC) conducted a review of the east coast wholesale gas market and pipeline frameworks in 2016 and stated "*the Commission has not identified any competitive impacts from the publication of actual gas flows on the following day*".¹³

Planned and unplanned outage information is critical

Trustpower continues to consider that both planned and unplanned outage information for both producers and large users should be publically disclosed. This is required to ensure the efficient operation of both the gas and electricity markets (and other adjunct sectors).

Having reviewed submissions, we believe there is consensus that there needs to be improvements to the amount of public outage information available to the wider industry, particularly for planned and unplanned outages of both producers and large users. These improvements should not be delayed. We strongly agree with Transpower's comment that "*given the importance of gas supply to electricity security of supply and risk management, we strongly prefer all outages and outage information be disclosed*".¹⁴

Trustpower continues to support aligning the information requirements for outages with the standards set by the New Zealand electricity industry. As Meridian Energy explains in their submission, "*The electricity rules have proven to be workable for the sector and we see no legitimate reason why the same standards could not be met for gas*".¹⁵

¹¹ Methanex, *Methanex GIC Information Disclosure Submission Final*, p.2

¹² John Floren, President, CEO and Director, Methanex Corp.; Q1 2019 Earnings Call Corrected Transcript; p. 21; <https://www.methanex.com/sites/default/files/investor/quarterly-reports/Q1%20Transcript.pdf>

¹³ AEMC, *2016 East Coast Wholesale Gas Markets and Pipeline Frameworks Review*, p. v.

¹⁴ Transpower, *Information Disclosure in the Gas Market*, p.4.

¹⁵ Meridian Energy, *Options for information disclosure in the wholesale gas sector Meridian Submission*, p.2.

Benefits of greater gas information disclosure must also include the flow on benefits to other sectors

A number of submissions supporting information disclosure were received from non-gas market participants, such as the Electricity Authority, Meridian Energy and Transpower. These submissions highlighted benefits from gas market information disclosure that would accrue to other sectors:

“The current low level of disclosure in the gas market is inhibiting the efficient operation of the electricity market. An increased level of transparency in the gas market will improve the efficient operation of the gas market, which will have flow on benefits for gas market participants as well as the electricity market.”¹⁶

“Our interest is in ensuring that confidence and efficiency in the electricity wholesale market is not compromised by poor transparency in respect of gas market operations. The two markets are interconnected and arrangements for information disclosures must begin to reflect this. As an enabler of increased efficiency, taking this step is also entirely consistent with broader consumer interests.”¹⁷

“We consider efficient and effective information disclosures from wholesale gas market participants will greatly contribute to New Zealand’s overall energy security and must be developed as a priority.”¹⁸

Mercury, who operates in both the electricity and gas markets, also highlighted the implications of gas market disclosure on electricity market security of supply:

“If market participants like Mercury are aware of planned gas outages (fuel supply or plant) any non-urgent plant maintenance can be postponed ensuring the electricity market retains capacity to meet demand.... If the SO has better information on gas outages and medium-term production plans it can more effectively monitor security of supply and update the assumptions behind the hydro risk curves to better reflect the reality of an electricity supply shortfall. Overall the result is superior market co-ordination and better management of the risk of supply shortfall or unnecessarily high prices for consumers.”¹⁹

Trustpower agrees there are significant benefits to other sectors, particularly the electricity sector, associated with information disclosure in the gas market. We continue to consider that when assessing the benefits of information disclosure in the gas market, the GIC needs to be able to appropriately take into account these broader benefits that accrue to other sectors. We have recently supported MBIE in ensuring the GIC has broad reaching powers to regulate for information disclosure for this reason.²⁰

For any questions relating to the material in this submission, please contact me on 027 549 9330.

Regards,



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¹⁶ Electricity Authority, Response to GIC consultation on information disclosure. p.1.

¹⁷ Meridian Energy, *Options for information disclosure in the wholesale gas sector Meridian Submission*, p.1.

¹⁸ Transpower, *Information Disclosure in the Gas Market*, p.2.

¹⁹ Mercury, *GIC Consultation*, p. 2

²⁰ Our submission should be available on the MBIE website shortly <https://www.mbie.govt.nz/have-your-say/amending-the-gas-act/>

