

9 December 2019

Andrew Knight  
Gas Industry Company  
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Submitted online at [www.gasindustry.co.nz](http://www.gasindustry.co.nz)

Dear Andrew

## Information disclosure: Problem assessment

First Gas Group (Firstgas) welcomes the opportunity to comment on the “*Information Disclosure: Problem Assessment*” consultation paper, released in October 2019. We are making this submission on behalf of Firstgas’ transmission and distribution businesses and Flexgas, the owner and operator of the Ahuroa gas storage facility.

Firstgas supports the provision of sufficient information to enable good decisions to be made in the gas market. We believe any extended information disclosure regime should focus on where there is a significant barrier to an efficient and effective gas market, due to information asymmetry or transparency. Our submission focusses on:

- Our view that the main information gaps relate to planned and unplanned outages. We support this being a focus area for the Statement of Proposal
- Our support for a voluntary solution in the short-term
- Our commitment to providing timely information on our gas transmission network and the Ahuroa gas storage facility.

We expand on these points below. We have also responded to questions posed in the consultation paper in **Attachment 1**.

### The main information gaps relate to planned and unplanned outages

Firstgas supports the GIC’s finding that outage information for gas production sites should be included in the Statement of Proposal. Disruptions at gas production facilities have significant physical and financial impacts on the gas market (and broader energy market). Having consistent and timely information on gas production would therefore help build confidence in a well-functioning and transparent gas market. The consultation paper suggests that limited production outage information has efficiency implications for the gas industry, as well as related sectors. We agree that efficiencies for maintenance planning and production outages could be made if greater information is known.

We agree that the other information elements (market prices and volumes, production and consumption forecasts and gas positions of thermal electricity generators) are less material and could be better addressed through other means. We also believe that it is a positive approach to join with other regulators such as the Electricity Authority, where work programmes or issues overlap.

## **We support a voluntary solution in the short term**

Firstgas supports the introduction of a prescriptive regulatory solution for information disclosure, but we appreciate that this will take some time.<sup>1</sup> Consequently, we believe the voluntary information disclosure Code proposed by PEPANZ<sup>2</sup> provides an effective interim step.

The proposed Code responds to information concerns highlighted in submissions to the GIC's Options Paper. While the Code does not have the force of regulation, it does have an appropriate level of prescription that defines what information should be disclosed. In addition, the proposed review of the final Code after 12 months of operation will be a valuable input into the GIC's workstream on information disclosure. The review will:

- Indicate how widely the voluntary code has been adopted
- Provide industry participants with time to identify how they can meet the information disclosure requirements
- Indicate how the information disclosed has been received by the market.

## **We are committed to providing timely information on transmission outages and outages at the gas storage facility**

Firstgas is committed to providing sufficient and timely outage information to the industry to assist in industry planning needs, and to keep stakeholders informed during any unplanned outage.

### **Information on outages on the transmission network**

We agree with the findings in the consultation paper that “some transmission pipeline outage information is currently required to be disclosed. There appears to be a general level of comfort that this information is sufficient”<sup>3</sup>.

As the system operator of the gas transmission network, we are strongly focused on ensuring enough information is readily available to support our security of supply requirements (as set out in Appendix G of our Transmission Asset Management Plan).<sup>4</sup> We currently publish any planned or unplanned outages on our OATIS site. When we move to a single gas transmission access code (GTAC), we will continue to provide this information on TACOS (the software system replacing OATIS).

Firstgas has worked closely with our customers over recent years, first in developing the GTAC and then during our first major planned outage at Pariroa in 2018. During the period leading into the Pariroa outage and during the outage period itself, Firstgas provided regular updates to the industry and regulators. We undertake a similar process during unplanned events. If events occur that could potentially affect gas supply, we maintain communication with industry participants and the Critical Contingency Operator (CCO). The information we provide is specified in our Critical Contingency Management Plan (CCMP).

Firstgas also publishes a significant amount of information on our transmission system. Our asset management plans describe capital maintenance activities for the current year, any interruptions to supply resulting from this work and information on asset condition.

### **Information on outages at the Ahuroa gas storage site**

We recognise that outages at the Ahuroa gas storage facility are of interest to the industry. Flexgas contributed to the development of the draft information disclosure Code that has been developed by PEPANZ (as discussed above). Under this Code, we have committed to providing timely disclosure of both planned and unplanned outages at our gas storage facilities, subject to a threshold level.<sup>5</sup> Our first application of this Code has involved Flexgas obtaining the consent of contracted users of Ahuroa to disclose the upcoming outage of the facility (February 2020).

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<sup>1</sup> Refer our submission to the GIC's Options paper for information disclosure in the wholesale sector: [https://firstgas.co.nz/wp-content/uploads/First-Gas-submission\\_Options-paper-for-ID\\_April-2019.pdf](https://firstgas.co.nz/wp-content/uploads/First-Gas-submission_Options-paper-for-ID_April-2019.pdf)

<sup>2</sup> <https://www.gasindustry.co.nz/work-programmes/gas-sector-information-disclosure/upstream-outage-information-disclosure-code/>

<sup>3</sup> See Consultation paper page 3.

<sup>4</sup> see <https://firstgas.co.nz/wp-content/uploads/First-Gas-Gas-Transmission-AMP-2018-Appendices.pdf>

<sup>5</sup> The threshold is a withdrawal capacity for a gas day reducing by 20TJ or more measured against the total withdrawal capacity of that facility. The thresholds for gas storage and gas production station disclosure are an estimation of the closest proxy for what might reasonably be considered to have an impact on or be of interest to the market.

Flexgas stores gas on behalf of customers under commercial contracts. Flexgas does not currently publish the availability of uncontracted Ahuroa storage capacity, and we are not able to disclose contracted capacity and availability due to contractual constraints. As we stated in our submission in April 2019, we would be willing to seek the consent of existing and future users of the gas storage facility, if the GIC considered that this information is important to the effective functioning of the gas market. We note that submissions to the options paper have not clearly identified any issues with this information not being available.

**Contact details**

If you have any questions regarding this submission, please contact me on 027 472 7798 or via email at [Karen.Collins@firstgas.co.nz](mailto:Karen.Collins@firstgas.co.nz) .

Yours sincerely

A handwritten signature in black ink, appearing to read 'K Collins', with a long horizontal flourish extending to the right.

**Karen Collins**  
Regulatory Policy Manager

## Attachments 1: Submissions template

Question		Comment
Q1:	Do you have any comments on our approach to the analysis?	<p>We agree with the approach to problem identification.</p> <p>If we want an efficient and effective market, incremental information disclosure should only go forward if it supports the industry and the benefits outweigh the costs. It is helpful to link the analysis of the information elements to the five assessment categories. These categories summarise the relevant Gas Act and GPS objectives and outcomes.</p> <p>We support the approach of evaluating the costs associated with information disclosure. The benefits from additional information disclosure should outweigh any incremental costs.</p>
Q2:	Have we identified all of the relevant information elements in this list?	<p>We consider that the GIC has identified all the relevant information elements.</p> <p>We would welcome further discussion on the possible approaches to information disclosure in the Statement of Proposal for information disclosure (Statement of Proposal). We believe that in the long-term a rules-based, regulated form of information disclosure is likely to be the most efficient approach.</p> <p>Effective regulation takes time. We support a voluntary solution as an effective first step. Firstgas welcomes the draft information disclosure Code (the Code) issued recently by PEPANZ. See our comments in the covering letter.</p>
Q3:	Do you agree with our assessment for gas production outage information? Have we missed aspects of the issue or are there parts that have not been described correctly? Please include details and any examples in your response.	<p>We agree that gas production outage information should be included in a Statement of Proposal for information disclosure in the gas wholesale market.</p> <p>We consider that the main information gaps relate to planned and unplanned outages at major production stations (and user facilities).<sup>6</sup></p>
Q4:	Do you agree with our assessment for major gas user facility outage information? Have we missed aspects of the issue or are there parts that have not been described correctly? Please include details and any examples in your response.	<p>Firstgas recognises that the implications of major gas users' outages on the wholesale market are different to that from production outages.</p> <p>While an outage at a major gas user's site does not cause gas supply issues, it may affect the volume of gas in the wholesale market. This is information participants or other interested parties such as the electricity industry, may find useful.</p> <p>We encourage the GIC to consider this matter further. In principle, we suggest that if the costs of disclosure outweigh the benefits, as suggested by Methanex, disclosure may not support the efficiency objectives.</p> <p>As the transmission system operator, our focus is on balancing gas in the network. We receive sufficient information from gas users to ensure we can manage the network.</p>

<sup>6</sup> [https://firstgas.co.nz/wp-content/uploads/First-Gas-submission\\_Options-paper-for-ID\\_April-2019.pdf](https://firstgas.co.nz/wp-content/uploads/First-Gas-submission_Options-paper-for-ID_April-2019.pdf)

Question	Comment
<p>Q5: Do you agree with our assessment for gas storage outage information? Have we missed aspects of the issue or are there parts that have not been described correctly? Please include details and any examples in your response.</p>	<p>Firstgas believes that the supply of gas is an essential component of energy reliability in New Zealand and support an efficient market and industry.</p> <p>Flexgas has committed to providing outage information for our gas storage facility under the PEPANZ draft information disclosure Code (see comments in covering letter).</p>
<p>Q6: Do you agree with our assessment for transmission pipeline outage information? Have we missed aspects of the issue or are there parts that have not been described correctly? Please include details and any examples in your response.</p>	<p>Firstgas is committed to providing information on its planned and unplanned interruptions that may influence gas availability and supply. Please refer to our comments in the covering letter.</p>
<p>Q7: Do you agree with our assessment for contract price and volume information? Have we missed aspects of the issue or are there parts that have not been described correctly? Please include details and any examples in your response.</p>	<p>We agree that this information element should not be included in a Statement of Proposal on information disclosure.</p>
<p>Q8: Do you agree with our assessment for emsTradeprice price &amp; volume information? Have we missed aspects of the issue or are there parts that have not been described correctly? Please include details and any examples in your response.</p>	<p>We agree with the assessment.</p>
<p>Q9: Do you agree with our assessment for gas storage facilities information? Have we missed aspects of the issue or are there parts that have not been described correctly? Please include details and any examples in your response.</p>	<p>Flexgas owns and operates the Ahuroa gas storage facility. The gas is owned by third parties and stored under commercial agreements.</p> <p>Flexgas already provides information on storage volumes to MBIE each quarter. We do not currently publish the availability of uncontracted Ahuroa storage capacity, and we are not able to disclose contracted capacity and availability due to contractual constraints. We remain willing to seek the consent of existing and future users of the facility, if the GIC considered that this information is important to the effective functioning of the gas market.</p> <p>We are pleased the GIC have made clear that gas stored does not necessarily equate to gas available for electricity generation. The stored gas may be used for electricity generation or it may be used for other purposes.<sup>7</sup>The decision on how the gas is used is made by the owners of the gas.</p>
<p>Q10: Do you agree with our assessment for gas production forecast information? Have we missed aspects of the issue or are there parts that have not been described correctly? Please include details and any examples in your response.</p>	<p>We agree that it would be inefficient to replicate this information under new arrangements when it is already disclosed to MBIE.</p> <p>It seems the issue is more on timing of the information being made available by MBIE, rather than the lack of information. We support the GIC working with MBIE to understand whether this information can be made available on a timelier basis.</p>

<sup>7</sup> Information disclosure problem assessment consultation paper. Page 43.

Question		Comment
Q11:	Do you agree with our assessment for thermal electricity generator gas position information? Have we missed aspects of the issue or are there parts that have not been described correctly? Please include details and any examples in your response.	<p>We support the joint GIC and Electricity Authority workstream. It is more efficient for the energy regulators to work together where there is a cross-over of sectors than to maintain separate workstreams.</p> <p>We stress that there are a range of factors that can affect the availability of thermal generation – fuel supply is only one of those factors. Given this, we consider that it makes sense to rely on information from the owners of thermal plant (rather than their fuel suppliers) to get an accurate picture of availability of electricity generation. We note that this perspective also applies more broadly to Transpower’s hydro curve risk information. We believe that Transpower should focus its information gathering on the owners of thermal generation to understand the potential constraints on plant availability (including from fuel shortages).</p>
Q12:	Do you agree with our assessment for major users’ forecast gas consumption information? Have we missed aspects of the issue or are there parts that have not been described correctly? Please include details and any examples in your response.	<p>The GIC should focus on areas where there is a significant problem.</p> <p>We agree that this information element does not need to be included in a Statement of Proposal. With no efficiency benefits specified but a material disadvantage for Methanex highlighted, there is not a driver to include this element in future information disclosure requirements.</p>