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Re: Submission on consultation paper – Options for Information Disclosure in the Wholesale Gas Sector.

Thank you for the opportunity to submit on this matter. This is a comprehensive paper exploring the wide range of issues. Participation in the industry workshop was valuable in expanding on the issues and understanding the range of views amongst stakeholders.

NZ Steel is a party to the Submission from the Major Gas Users Group (MGUG).

In this submission we focus on the immediate issue which we ask the GIC to move forward on swiftly i.e. the provision of information on planned and unplanned outages of gas fields. In this regard we support the open letter to the GIC from the Chief Executive of Meridian Energy.

Occurrences impacting the supply of natural gas to New Zealand Steel operations in the Auckland region have focused attention on the importance of information relating to that supply.

In late September 2018 First Gas (FG) raised concerns relating to a buckle in the pipeline. The level of communication provided by FG from that time through until a bypass was completed in late November can only be described as exemplary. It enabled us to continually assess the risk and our contingency plans.

During 2018 there were five gas field incidents we know of, all surrounded with opaqueness as to the fact the interruptions were occurring and the impact of supply into the market. In some cases, NZ Steel was shielded from potential supply disruption by our retailer. The issue became front and centre when requested to make a significant reduction in consumption during the Pohokura issue in October/November 2018. Obtaining information from our retailer (because they were only partly informed) or other sources, including the GIC, was nigh on impossible, and therefore unacceptable. The reduction in gas availability directly impacted production and therefore our customer service and financial results.

What is most frustrating is we had just completed a major plant shutdown that could have been scheduled to coincide with Pohokura outage had information been available in a timely manner. Equally the interaction of gas supply to the electricity market resulted in a significant increase in the cost of electricity. The result was inefficiencies relating to

production and several million dollars in increased costs and negative impact on steel supply to the NZ construction industry.

The planned shut for rectification work on Pohokura in February 2019 is a prime example of the vagueness of information as to dates for the work. While the need to move dates for weather and technical issues is understood, the information available through our supplier was minimal and not timely. Enquiries made directly to the operator of the field confirmed they were not prepared to share information on the planned timetable. Participants must reasonably expect the market to be kept fully and transparently informed for planning and so no party can be considered to be taking advantage of informant asymmetry. The irony in this is that NZ Steel was endeavouring to have the timing of another planned maintenance shut (which would substantially reduce our gas requirement) align with timing of the Pohokura work, thereby assisting NZ Steel and the wider users in the gas market.

At the time this submission is being prepared similar issues are being faced with lack of information as to progress of the work on the Pohokura field and timely information re outages at conclusion of the planned work.

The structure of the gas market in New Zealand is effectively a collection of bilateral contracts. This does not provide for ready access to necessary and timely information. The broader issues canvassed in the Consultation Paper needs to be examined in relation to the market structure.

However, while the broader industry matters are being considered, we stress again the importance of moving quickly to ensure information on planned and unplanned field outages, with regular status updates as to work-in-progress, is made readily available. Ideally this can be best achieved by industry agreement, but GIC should not delay in recommending regulatory changes if agreement cannot be reached quickly.

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