

## SUBMISSIONS TEMPLATE

### Information Disclosure: Problem Assessment

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Question	Comment
<p>Q1: <i>Do you have any comments on our approach to the analysis?</i></p>	<p>Yes. The paper focuses on the short-term. While the Gas Act may appear to prescribe short-term processes, longer term issues can still be addressed in parallel.</p>
<p>Q2: <i>Have we identified all of the relevant information elements in this list?</i></p>	<p>No – GIC has not addressed the medium and long-term information elements.</p> <p>Information should be available that allows the market to work out what is required (on the path towards net zero carbon) free from interference, and free to adapt to incentives or adopt subsidies should they become available.</p> <p>To expand on the points in the letter by way of examples:</p> <p><b>Advocacy for the role and value of gas today</b></p> <ol style="list-style-type: none"> <li>1) The disclosure of coal emissions that could be displaced by gas. If gas has a transitional role in decarbonisation, why does imported and local coal use slip under the radar? Such asymmetric information should be fixed and be made more transparent. Decarbonisation will be facilitated by iteratively addressing (subject to technology, economics and physics) the most polluting forms of energy.</li> <li>2) The level of competing offers of supply for particular consumers. I.e. the market does not appear to know how many consumers have to source spot gas, nor the level of demand destruction created by reduced supply. Gas' value to NZ is often under-appreciated and must be made transparent by addressing these information gaps.</li> </ol> <p><b>Interpretation of existing information in a long-term context</b></p> <ol style="list-style-type: none"> <li>3) More should be made of the extent to which NZ gas supply is exposed to the forthcoming drilling campaigns. We suggest an annual analysis of supply and demand, especially in relation to contingent resources and reserves.</li> <li>4) The 'affordability' of energy from new investments should recognise not only downward price pressure, but also upward price pressure in order to incentivise fuel switches to cleaner alternatives (a point that appears to have been lost in the retail fuels study).</li> </ol>

	<p>5) GIC could work with the Institute of Directors to assess boards' capabilities for managing risk in the energy space. Transparency will help address where solutions and policies should be targeted and should help the market function better.</p> <p><b>Thought leadership on gas' role in facilitating decarbonisation</b></p> <p>6) Discussion about how carbon capture and storage could help a net zero carbon future and the costs and benefits. Leadership in this field could be a game-changer for NZ's economy and facilitate the achievement of emissions reductions.</p> <p>7) Real ways how mums and dads and businesses can decarbonise, at reasonable cost, with appropriate funding arrangements. If gas is accepted to be a transitional fuel, the value of gas should be accepted.</p> <p>8) Acknowledgement that 'renewable' energy does not mean pollution-free, and therefore understanding how that fits into a net carbon zero future. Geothermal has CO<sub>2e</sub> emissions from operations (but less than gas), and all forms of renewable energy require use of raw materials which causes CO<sub>2e</sub> pollution. There appears to be a lack of proper debate about how to even define key terms like 'renewable' and 'normal'. That is a problem if NZ is serious about achieving the vision of net zero carbon.</p>
<p>Q3: <i>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.</i></p>	<p>GIC could have referred to more recent information. Today there is a GIC-hosted platform in place that has been used extensively by Beach, Flex Gas and OMV in 2019. While there <u>were</u> gas outage information disclosure issues in prior years, progress has already been made to address these.</p> <p>Some other points:</p> <ul style="list-style-type: none"> <li>- We agree with the general conclusion that material gas outage information can impact on, and is important for, the wider energy market.</li> <li>- No company should be categorised as a renewables-only generator if they also have (and use) a contract that obtains power supply fuelled by coal or gas, e.g. from Huntly.</li> <li>- We suggest that gas has taken over from water as the marginal fuel with the most impact on power price volatility. It has taken the market a long time to realise this, and to understand that gas scarcity has a cost just like water scarcity.</li> </ul>
<p>Q4: <i>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</i></p>	<p>Yes and No respectively.</p>

<i>examples in your response.</i>	
<p>Q5: <i>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.</i></p>	<p>Yes – notwithstanding Flex Gas’ participation in an upstream gas outage protocol, that information will be limited to extractions and not injections (and the information will be missed if Q4 is not progressed, as proposed).</p> <p>Yes – it also makes sense to consider non-outage situations that reduce extraction or injection rates. For example, it is likely that if well pressure is low, injection and extraction rates will be lower, and vice versa. GIC should, therefore, require Flex Gas to estimate from time to time how long extraction or injection rates can reasonably be sustained.</p>
<p>Q6: <i>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.</i></p>	<p>Yes and No respectively.</p>
<p>Q7: <i>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.</i></p>	<p>Yes and No respectively.</p>
<p>Q8: <i>Do you agree with our assessment for emsTradepoint 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.</i></p>	<p>No and Yes respectively. If improved information transparency improves market efficiency – which is the basic GIC argument – then industry should see the anonymised emsTP live trading board on a real-time basis. Providing this would have three key benefits:</p> <ul style="list-style-type: none"> <li>- No rework from emsTP, reducing the risk that parties misinterpret its VWAPs.</li> <li>- The market could draw its own conclusions from live bids and offers which would provide more meaningful insights than lagged prices.</li> <li>- It would not compromise any party’s confidential information.</li> </ul> <p>GIC says “[it] note[s] that the absence of publically available volume information is a gap” yet it then concludes that there are no significant fairness, reliability, safety or environmental outcomes. However, s43ZN of the Gas Act requires the proper and efficient management of risks relating to security of supply and the minimising of barriers to entry. Both those objectives could be advanced further if industry could see a live trading board, for free. Further, it would add significant context to the upstream outage protocol, a benefit that appears not to have been considered.</p>
<p>Q9: <i>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.</i></p>	<p>Yes – but it should definitely be included in an SOP. <u>Dedicated gas storage facilities are to gas what lakes are to water.</u></p> <p>Yes – as part of progressing this matter, GIC will need to have particular regard to the following:</p>

	<ul style="list-style-type: none"> <li>- Regular provision of the split of aggregate pad gas quantities, aggregate working gas quantities, and any material assumptions.</li> <li>- There may need to be some sort of verification process around disclosed aggregate gas quantities (because reservoirs aren't read with dips or markers). That could potentially take the form of users of that facility saying whether they agree or disagree with the disclosed aggregate quantities. However, the counter to this argument is that while listed companies have access to Ahuroa, NZX rules probably mean that any differences in fact, risk or opinion would be (or should be) disclosed to the market anyway on a timely basis.</li> <li>- Whether or not the First Gas transmission system should be extended to include the pipes leading up to Ahuroa (notwithstanding who owns the pipes), given the number of users downstream of STDP3. GIC should also consider whether STDP3 even qualifies for direct-connect status under the Gas (Downstream Reconciliation) Rules 2008. This is probably a second order item, for a review of these particular rules, but worth noting nonetheless.</li> </ul>
<p><i>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.</i></p>	<p>Yes and No respectively.</p>
<p><i>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.</i></p>	<p>GIC has concluded that it is the EA's responsibility to progress information matters relating to thermal fuel generators' procurement strategies. We disagree.</p> <p>If the Minister's letters are to be given proper effect, GIC should be considering all matters that may impact gas, not just gas matters. GIC should also give further thought as to whether it is in a position to consider multi-faceted energy matters.</p>
<p><i>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.</i></p>	<p>We consider that there is another (longer-term) way to look at this that gets to the point of the information.</p> <p>A major user of gas should keep the market informed of the window for its next one or two outages and provide a meaningful statement on whether it is likely to continue to keep that kit in service (using gas as the fuel or feedstock) after the slated turnaround window.</p> <p>Such a solution would help to flesh out how the market adapts to forecast gas supply reductions.</p>