



TRANSPOWER

Keeping the energy flowing

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Information Disclosure in the Gas market

Thank you for the opportunity to submit to the Gas Industry Company's (GIC) consultation *Options Paper for Information Disclosure in the Wholesale Gas Sector*. We appreciate that GIC has acknowledged in its paper the important role that gas supply information has for electricity system security.

The workshop you hosted on 27 March 2019 was very helpful for understanding the problem and identifying possible solutions. Our submission focus is on information that directly affects the performance of our obligations as the electricity system operator. We have answered relevant questions in the appendix.

Electricity security is enhanced by gas supply information

Transpower, as the electricity system operator, assesses electricity asset outages, provides the electricity industry with supply security information, and manages the impacts of supply emergencies on system security. We forecast resource adequacy (fuel availability and generation capacity) for time-frames of one day to five years, to co-ordinate transmission and generator outages and ensure sufficient generation plant is available to meet all forecast electricity needs.

Our resource adequacy assessment uses input assumptions that have recently been challenged following unplanned outages and planned (but not known in advance for third parties) outages materially impacting gas supply. Our assessment of the risk of energy shortage had relied on an assumption that when the risk of electricity shortage is 10%, all available thermal generating plant would be generating at full output.

We now consider that where gas supply is constrained this assumption is less likely to hold. In November 2018 we consulted on, and then decided to change our approach to thermal fuel input assumptions. We have added a validation step to determine any inconsistencies between modelled thermal fuel consumption and known information about thermal fuel supply.¹

In extreme cases of resource inadequacy we may be required to resort to regulated intervention processes such as conservation campaigns, electricity supply rationing and/or rolling supply outages. Such interventions come with significant economic

¹ Transpower, [Hydro Risk Curve Thermal Fuel Assumptions](#), Decision and Summary of Industry Comments, November 2018.

cost and consequences for New Zealand. We consider better forecast information about resource adequacy (or more relevantly, inadequacy) will reduce the likelihood of such interventions, and create confidence that, if called, they are genuinely necessary.

Disclosures design for outages information

We strongly support GIC developing improved information disclosures from the gas market and, specifically for our needs, requiring disclosures on planned and unplanned outages.

To ensure system security is more accurately assessed information disclosure from upstream gas suppliers as well as generators is essential. Although some information provision by gas generators could be mandated by the Electricity Authority, the risk is those generators may not know what the fuel situation is until too late for efficient, effective and secure electricity supply management.

We consider a rules-based information disclosure regime would support reliable and consistent outage information for outage co-ordination and longer-term system security assessments. A workable approach might involve extending the planned outage coordination platform (POCP) used for outage disclosures by electricity participants to outage disclosures by gas participants.

To provide useful information for our longer-term security assessments, we consider disclosure obligations should apply to all gas-fuelled electricity generators, and their gas suppliers. However, for information efficacy and to manage compliance burden, disclosure obligations should be targeted at revealing material impacts on the availability of gas supply, including for electricity generation. We consider the 'material impacts' hurdle would align with a principles-based disclosure design. We support data aggregation for a high-level availability view to preserve anonymity of sources, if required.

Transpower strongly supports:

- (i) rules-based disclosure requirements for all gas supply outage information, and
- (ii) longer-term resource adequacy information disclosure requirements targeted at revealing material impacts, including for electricity generation.

Finally, 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. We are available for any assistance you may need for the design phase.



John Clarke

General Manger Operations

Appendix: response to select questions

Question	Comment
<p>Q5: What processes does your organisation have to obtain information ahead of, and during, periods of reduced gas supply?</p>	<p>Transpower as the electricity system operator has information sources arising from obligations on electricity market participants prescribed in the Electricity Industry Participation Code.</p>
<p>Q16: Given the advantages and disadvantages, do you consider that that voluntary disclosure option is a viable option? Please provide the reasoning behind your answer, including details and any examples.</p>	<p>No. We consider commercial incentives may be a barrier to voluntary disclosure.</p>
<p>Q25: Do you think that principles-based information disclosure based on industry-led arrangements is a viable option? Please provide the reasoning behind your answer.</p>	<p>In part. While the principles may be derived with industry input, we consider obligations will be needed to produce consistent information in accordance with them.</p>
<p>Q28: Should there be a minimum threshold? If so, what should it be and what should it be based on (e.g. nameplate capacity, X GJ/day)? Should the minimum threshold be the same for all types of market participants or should it vary between market segments? Please provide details.</p>	<p>Yes, we consider a minimum threshold may be needed and should be set considering materiality of impacts for gas users <u>and</u> downstream impacts on electricity consumers.</p>
<p>Q31: Has this planned outage disclosure option been identified appropriately? Are there alternative versions of the option that are worthy of consideration? Please provide reasons in your response.</p>	<p>Yes, the paper outlines the planned outage disclosure option appropriately.</p>
<p>Q32: Do you agree with the advantages that have been identified for the planned outage disclosure option? Have any other advantages been missed or are there advantages that have been listed that are mischaracterised?</p>	<p>Yes, we agree with the advantages identified for the planned outage disclosure option</p>
<p>Q33: Do you agree with the disadvantages that have been identified for the planned outage disclosure option? Have any other disadvantages been</p>	<p>Yes, we agree with the disadvantages identified for the planned outage disclosure option. We agree that a</p>

	missed or are there disadvantages that have been listed that are mischaracterised?	regulated approach is likely to be required.
Q34:	If this planned outage disclosure option is adopted do you think there should be exclusions on information that is disclosed? If so, what types of exclusion should be considered and why? If confidentiality is an issue, please explain why this is the case, including any details and examples.	Given the importance of gas supply to electricity security of supply and risk management, we strongly prefer all outages and outage information be disclosed
Q35:	Has this unplanned outage disclosure option been identified appropriately? Are there alternative versions of the option that are worthy of consideration? Please provide reasons in your response.	Yes, although we consider further development of scope (which parties are subject to disclosure) and materiality could be required.
Q36:	Do you agree with the advantages that have been identified for the unplanned outage disclosure option? Have any other advantages been missed or are there advantages that have been listed that are mischaracterised?	Yes, we agree with the advantages identified for the unplanned outage disclosure option.
Q37:	Do you agree with the disadvantages that have been identified for the unplanned outage disclosure option? Have any other disadvantages been missed or are there disadvantages that have been listed that are mischaracterised?	Yes, we agree with the disadvantages identified for the unplanned outage disclosure option.
Q38:	If this unplanned outage disclosure option is adopted do you think there should be exclusions on information that is disclosed? If so, what types of exclusion should be considered and why? If confidentiality is an issue, please explain why this is the case, including any details and examples.	Given the importance of gas supply to electricity security of supply and risk management, we strongly prefer all outages and outage information be disclosed
Q46:	Should a twelve-month outlook for gas production information ('gas production information') be disclosed under an information disclosure regime? Please provide reasons in your response.	Yes, to the extent it can assist our security of supply forecast assessments. An aggregate assessment would be sufficient for longer term security planning. We note that major gas users' production profiles materially impact the electricity system,

		whether the major user is an electricity generator or consumer.
Q50:	Should a twelve-month outlook for major users' gas consumption information ('gas consumption information') be disclosed under an information disclosure regime? Please provide reasons in your response.	<p>Yes, to the extent it can assist our security of supply forecast assessments. An aggregate assessment would be sufficient for longer term security planning.</p> <p>We note that major gas users' production profiles materially impact the electricity system, whether the major user is an electricity generator or consumer.</p>
Q55:	What do you consider to be the pros and cons of the various options that have been identified and other options that should be considered?	We support the extension of the POCP platform. The inter-connectedness of the gas and electricity markets and years of successful use of POCP by electricity participants mean this is our favoured option.
Q56:	Have you got any comments on the benefits analysis?	We consider the benefits analysis should also include benefits arising in the downstream electricity industry.