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Dear Paul

Submission on the GIC's Options for Information Disclosure in the Wholesale Gas Sector

1. This is Vector Limited's (Vector) submission on the Gas Industry Company's (GIC) *Options for Information Disclosure in the Wholesale Gas Sector* (Options Paper), released on 6 March 2019. We appreciate the GIC's engagement with stakeholders through a workshop on its proposed options on 27 March 2019.
2. Vector supports the development of a cost-effective information disclosure regime that promotes transparency, efficiency, and confidence in the wholesale gas sector. To ensure the delivery of substantial benefits for industry participants and consumers early in the process, we suggest progressing this workstream in two stages.
3. The first stage should be focussed on the disclosure of information on planned and unplanned outages as a matter of priority. Given there is already widespread stakeholder recognition of the importance of timely and symmetric access to outage information, prioritising this information will deliver immediate benefits at low cost. It will ensure that this workstream will not be 'bogged down' by potentially contentious issues associated with other types of information, such as information on volumes and prices.
4. Other types of information can be considered in the second stage of this workstream.
5. Given the GIC's long-standing workstream on gas quality, we are surprised that the Options Paper does not include a gas quality information disclosure arrangement. We would support the inclusion of gas quality in any proposed information disclosure regime for the wholesale gas sector, specifically the requirement for timely notifications of excursions from gas specification standards.
6. We set out below our responses to the consultation questions using the submission template provided by the GIC for this consultation.
7. No part of this submission is confidential. Vector's contact person for this submission is:

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Yours sincerely
For and on behalf of Vector Limited



Richard Sharp
Head of Regulatory and Pricing

Questions

Options for Information Disclosure in the Wholesale Gas Sector

Submission prepared by: Vector

QUESTION	VECTOR'S COMMENT
Q1: Should shippers be included in an information regime? If so, what information do you consider should be disclosed?	<p>Yes, shippers can be included in an information disclosure regime for the wholesale gas sector. In such a regime, we see shippers, who generally do not possess information that could materially affect the operation of the gas market, more as recipients of information than parties that would be subject to information disclosure obligations.</p> <p>Any proposed information disclosure regime should also include major gas users, whose actions could have significant impact on the gas market.</p>
Q2: Is the information currently disclosed by the transmission pipeline operator sufficient? If not, what further information should be released through information disclosure arrangements?	<p>Yes, we find the information currently disclosed by the transmission pipeline operator to be sufficient.</p>
Q3: Have the upstream sector and its potential information issues been characterised appropriately? Have we missed aspects of the problem or are there parts of the identified problem that we have not described correctly?	<p>Yes, the upstream sector and its potential information issues have been characterised appropriately.</p> <p>As indicated in our cover letter, we suggest that any proposed information disclosure regime for the wholesale gas sector also include the disclosure of gas quality</p>

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<p>Please include details and any examples in your response.</p>	<p>information, including the requirement for timely notifications of excursions from gas quality standards.</p>
<p>Q4: Have the demand side and its potential information issues been characterised appropriately? Have we missed aspects of the problem or are there parts of the identified problem that we have not described correctly? Please provide details and any examples in your response.</p>	<p>Yes, the demand side and its potential information issues have been characterised appropriately.</p>
<p>Q5: What processes does your organisation have to obtain information ahead of, and during, periods of reduced gas supply?</p>	<p>Vector's gas trading business continuously monitors elements that could influence its business decisions, e.g. electricity spot prices, lake levels, information from Jam Solutions, etc. We have processes in place to access information on recent hourly gas production for most gas fields from BGIX (publicly available) and OATIS (publicly and privately available). We receive indicative outage plan information from a third party for future outages on an ongoing basis.</p> <p>Where we are a buyer of gas directly from the affected gas field, we have contractual rights to receive some information both prior to and during events.</p>
<p>Q6: How is your organisation impacted during periods of reduced gas supply? Please provide details (including costs) and any examples in your response.</p>	<p>The impact on Vector's gas trading business depends on the cause or source of the shortage or supply interruption. If it is our supplier, we look for an alternative supplier; otherwise, we reduce the gas we supply to our customers.</p> <p>Under our contracts with producers, the producer generally has contractual provisions to receive relief from their supply obligations during periods of reduced gas supply. The reduction in gas supply to Vector results in a shortfall vis-à-vis our customers' gas requirements. We will look to either purchase gas 'over the counter' or 'on market' to replace the curtailed gas supply, or request our customers to curtail their use of gas.</p>

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	<p>We typically pay a premium for procuring replacement gas during periods of reduced gas supply. Recently, prices paid during outages have been volatile, with the premium at a magnitude that is greater than the value of gas prior to the outage.</p>
<p>Q7: What steps does your organisation's risk assessment or business continuity plan expect to be undertaken to limit the impact of periods of reduced gas supply?</p>	<p>As indicated in our response to Q5, we continuously monitor elements that could have significant impact on gas supply. We manage risks by diversifying our supply sources, ensuring we have active contracts with brokers and the market, and contracting with alternative suppliers during periods of reduced gas supply.</p> <p>Vector has contractual arrangements in place to facilitate supply and demand response during outages, a 24x7 on-call roster, and a customer portal that allows us to manage communications to and from our customers during critical contingency events. Our customers are kept up to date with issues as they arise.</p> <p>The above arrangements and processes are covered by a Standard Operating Procedure.</p>
<p>Q8: Taking into account your risk assessments and business continuity plans, what information do you use and what further information would be useful to your organisation to inform your actions and decisions during periods of reduced gas supply?</p>	<p>We find it useful to have timely information on planned and unplanned outages during periods of reduced gas supply. This includes information on current estimate of the duration of the outage, opportunity for partial restoration, and regular status updates.</p> <p>We also find it useful to have timely information on the responses of large users to outages.</p>
<p>Q9: Is there any further information regarding outages that you would like to share?</p>	<p>As a shipper and recipient of information during times of reduced gas supply, we consider it important to be informed of the complexity of the restoration process at the same time as all other affected market participants. This information could identify the external factors influencing the timeliness of partial or full restoration, e.g. tidal swells.</p>

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<p>Q10: Have the potential information problems in the wholesale gas market been identified appropriately? Have we missed aspects of the problem or are there parts of the identified problem that we have not described correctly? Please provide details and any examples in your response.</p>	<p>Yes, potential problems in the wholesale gas market have been identified appropriately.</p>
<p>Q11: Have the potential information transparency and availability issues in the wholesale gas sector been analysed appropriately against the Gas Act and GPS objectives? Are there elements of the analysis that have been missed or parts of the problem that have not been analysed properly? Please explain your reasoning.</p>	<p>Yes, the potential information transparency and availability issues in the wholesale gas sector have been analysed appropriately against the Gas Act and GPS objectives.</p>
<p>Q12: Has the proposed problem statement been characterised appropriately? Have we missed aspects of the problem or are there parts of the identified problem that we have not described correctly? Please include details and any examples in your response.</p>	<p>Yes, the proposed problem statement has been characterised appropriately.</p>
<p>Q13: Has the voluntary 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 voluntary disclosure option has been identified appropriately. However, we do not support a voluntary approach for the disclosure of information, particularly on planned and unplanned outages.</p> <p>While Vector generally supports non-regulated solutions, such as the approach adopted in the recent development of a single Gas Transmission Access Code (GTAC), we believe the efficiency of a regulated solution for the disclosure of</p>

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	<p>information – where timeliness and symmetric access are of the essence – outweighs any drawbacks.</p> <p>A voluntary approach for information disclosure will not remove the risk that one or more parties will not disclose all or some of the information required, or not disclose the information in a timely manner. It defeats the purpose of ensuring all potentially affected market participants will have access to the same information at the same time.</p> <p>Importantly, issues around confidentiality and commercial sensitivity of some types of information can largely be avoided under a regulated approach. This insulates industry participants from potentially drawn-out dispute resolution processes and delays in the delivery of the benefits of information disclosure.</p> <p>In our view, the greater degree of intrusiveness associated with a regulated approach can be mitigated by determining a tight set of well-defined planned and unplanned outage information that must be disclosed by those who generate it in a uniform and efficient manner.</p> <p>As indicated in our cover letter, we suggest a two-stage approach for this workstream. The <u>first stage</u> can be focussed on developing mandated disclosure obligations on planned and unplanned outages as a matter of priority. Feedback at the industry workshop on the proposed options on 27 March 2019 indicates there is already widespread recognition of the importance of market participants' timely and symmetric access to outage information.</p> <p>An initial focus on planned and unplanned outage information, the apparent inadequacy of which mainly triggered this workstream, will deliver immediate and substantial benefits for the industry and consumers. It is a 'low hanging fruit' that can be implemented immediately at low cost.</p> <p>The <u>second stage</u> can be focussed on other types of information, aspects of which could be potentially contentious, e.g. information on volumes and prices.</p>

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<p>Q14: Do you agree with the advantages that have been identified for the 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 that have been identified for the voluntary disclosure option. However, we believe these advantages will be outweighed by the costs associated with this option, including the risk of one or more parties not voluntarily disclosing the information they are expected to disclose (fully or partially), or not disclosing the information in a timely manner. We therefore do not support a voluntary approach for this reason and for the reasons stated in our response to Q13.</p>
<p>Q15: Do you agree with the disadvantages that have been identified for the option? Have any other disadvantages been missed or are there disadvantages that have been listed that are mischaracterised?</p>	<p>Yes, we agree with the disadvantages identified for the voluntary information disclosure option. We therefore do not support a voluntary approach for information disclosure because of these disadvantages and for the reasons stated in our response to Q13.</p>
<p>Q16: Given the advantages and disadvantages, do you consider that the voluntary disclosure option is a viable option? Please provide the reasoning behind your answer, including details and any examples.</p>	<p>No. On balance, we do not consider the voluntary information disclosure option to be a viable and sustainable option. See our response to Q13.</p>
<p>Q17: Has the principles-based information 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 principles-based information disclosure option has been identified appropriately. We support this option (potentially in combination with the specific information disclosure option) under a regulated approach for the reasons stated in our response to Q13.</p>
<p>Q18: Do you agree with the advantages that have been identified for the 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 that have been identified for the principles-based information disclosure option. We support this option (potentially in combination with the specific information disclosure option) under a regulated approach because of these advantages and for the reasons stated in our response to Q13.</p>

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<p>Q19: Do you agree with the disadvantages that have been identified for the option? Have any other disadvantages been missed or are there disadvantages that have been listed that are mischaracterised?</p>	<p>Yes, we agree with the disadvantages that have been identified for the principles-based information disclosure option. We believe these disadvantages will be outweighed by the benefits of implementing this option under a regulated approach (rather than under an industry-led approach) for the reasons stated in our response to Q13.</p>
<p>Q20: If a principles-based information disclosure option is adopted do you think there should be exclusions on information that is disclosed? If so, what types of exclusions should be considered and why? If confidentiality is a concern, please explain why this is the case, including any details and examples.</p>	<p>Yes, there should be exclusions on the information that is required to be disclosed if a principles-based information disclosure option is adopted (and for all other options, for that matter). Only information that has material impact on the market should be disclosed, i.e. market participants could make different decisions without the benefit of such information.</p>
<p>Q21: Has the specific information 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 specific information disclosure option has been identified appropriately. We support this option (potentially in combination with principles-based information disclosure) under a regulated approach for the reasons stated in our response to Q13.</p>
<p>Q22: Do you agree with the advantages that have been identified for the 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 that have been identified for the specific information disclosure option. We therefore support this option (potentially in combination with principles-based information disclosure) under a regulated approach because of these advantages and for the reasons stated in our response to Q13.</p>
<p>Q23: Do you agree with the disadvantages that have been identified for the option? Have any other disadvantages been missed or are there disadvantages that have been listed that are mischaracterised?</p>	<p>Yes, we agree with the disadvantages that have been identified for the specific information disclosure option. We believe these disadvantages will be outweighed by the combination of this option with principles-based information disclosure (under a regulated approach) and for the reasons stated in our response to Q13.</p>

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<p>Q24: Have the implementation issues associated with the information disclosure options been characterised appropriately? Are there further points that we have missed or are there issues that have been mischaracterised?</p>	<p>Yes, the implementation issues associated with the information disclosure options have been characterised appropriately.</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>No, we do not consider principles-based information disclosure based on industry-led arrangements to be viable, but consider it to be viable under a regulated approach. The reasons are stated in our response to Q13.</p>
<p>Q26: Do you agree with the proposed coverage for disclosure obligations? What issues do you see with the proposed coverage?</p>	<p>Yes, we agree with the proposed coverage for disclosure obligations.</p>
<p>Q27: Should there be coverage exclusions (i.e. particular parties or types of party) included in the information disclosure regime? If so, what should they be and why (please provide details and examples to support your argument)?</p>	<p>Yes, the information disclosure regime should have coverage exclusions. Exclusions will be influenced by the nature of the set of information that will be subject to disclosure obligations.</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, there should be a minimum threshold. We suggest requiring the disclosure of information that has a material impact on the market, i.e. market participants could be making different business decisions without the benefit of such information.</p>

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<p>Q29: Should the threshold be on a facilities basis or company basis?</p>	<p>The threshold should be determined by the materiality of the impact of the event (e.g. outage) on the market, regardless of the size of the facility or company that triggered the event. Though we note that the size of the company or facility is likely to have an influence on the materiality of the event.</p>
<p>Q30: Are there any other information disclosure rules that should be considered? Please provide details in your answer including the rationale for your proposed rules.</p>	<p>As indicated in our cover letter, any proposed information disclosure regime should also include the disclosure of gas quality information, including the requirement for timely notifications of excursions from gas specification standards.</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 planned outage information disclosure option has been identified appropriately. We strongly support information disclosure for planned (and unplanned) outages as a matter of priority, i.e. to be considered ahead of other types of (potentially contentious) information.</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 that have been identified for the planned outage information disclosure option. We strongly support the development of information disclosure arrangements for planned (and unplanned) outages as a matter of priority because of these advantages and for the reasons stated in our response to Q13.</p>
<p>Q33: Do you agree with the disadvantages that have been identified for the planned outage disclosure option? Have any other disadvantages been missed or are there disadvantages that have been listed that are mischaracterised?</p>	<p>Yes, we agree with the disadvantages that have been identified for the planned outage information disclosure option. However, we believe these disadvantages will be outweighed by the benefits of market participants having timely and symmetric access to information about planned outages, which can be facilitated through a regulated approach.</p> <p>Also see our response to Q13.</p>

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<p>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.</p>	<p>Yes, there should be exclusions if the planned outage information disclosure option is adopted. In our view, only planned outage information that has a material impact on the market should be subject to disclosure obligations.</p>
<p>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.</p>	<p>Yes, the unplanned outage information disclosure option has been identified appropriately. We strongly support information disclosure for unplanned (and planned) outages as a matter of priority, i.e. to be considered ahead of other types of (potentially contentious) information.</p>
<p>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?</p>	<p>Yes, we agree with the advantages that have been identified for the unplanned outage disclosure option. We strongly support the development of information disclosure arrangements for unplanned (and planned) outages as a matter of priority because of these advantages and for the reasons stated in our response to Q13.</p>
<p>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?</p>	<p>Yes, we agree with the disadvantages that have been identified for the unplanned outage information disclosure option. However, we believe these disadvantages will be outweighed by the benefits of market participants having timely and symmetric access to information about unplanned outages, which can be facilitated through a regulated approach.</p> <p>Also see our response to Q13.</p>
<p>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</p>	<p>Yes, there should be exclusions if the unplanned outage information disclosure option is adopted. In our view, only unplanned outage information that has a material impact on the market should be subject to disclosure obligations.</p>

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<p>of exclusion should be considered and why? If confidentiality is an issue, please explain why this is the case, including any details and examples.</p>	
<p>Q39: Should lagged emsTradepoint traded volumes and prices be disclosed under an information disclosure regime? Please provide reasons in your response.</p>	<p>Outside of an information disclosure regime, we believe that disclosure of emsTradepoint traded volumes and prices is a matter for emsTradepoint to decide.</p> <p>Any proposal for emsTradepoint information to become part of an information disclosure regime should be considered during the second stage of this workstream. We have access to emsTradepoint information on a subscription basis, and assume this to be the case for many other market participants.</p>
<p>Q40: Do you agree with the advantages that have been identified for the emsTradepoint 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 that have been identified for the emsTradepoint information disclosure option.</p>
<p>Q41: Do you agree with the disadvantages that have been identified for the emsTradepoint disclosure option? Have any other disadvantages been missed or are there disadvantages that have been listed that are mischaracterised?</p>	<p>Yes, we agree with the disadvantages that have been identified for the emsTradepoint information disclosure option.</p>
<p>Q42: Should there be publication of weighted average wholesale prices & aggregate traded volumes that cover the entire gas wholesale sector (with data sources including price and volume information covered under bilateral agreements and other arrangements)?</p>	<p>As suggested in our cover letter and in our response to Q13, the disclosure of information on planned and unplanned outages should be considered a high priority as this would deliver substantial and immediate benefits at low cost (our proposed stage 1 of this workstream). Given there is already widespread acceptance of the importance of timely and symmetric access to outage information, prioritising the disclosure of this information will avoid this workstream being bogged down by potentially contentious issues associated with other types of information.</p>

QUESTION	VECTOR'S COMMENT
	The disclosure of other types of information, such as information on wholesale prices and traded volumes, can be considered in stage 2 of this workstream.
Q43: Do you agree with the advantages that have been identified for this weighted average price & volumes option? Have any other advantages been missed or are there advantages that have been listed that are mischaracterised?	See our responses to Q13 and Q42.
Q44: Do you agree with the disadvantages that have been identified for this weighted average price & volumes disclosure option? Have any other disadvantages been missed or are there disadvantages that have been listed that are mischaracterised?	See our responses to Q13 and Q42.
Q45: Are there confidentiality issues that would limit this option? Please provide details on any confidentiality concerns?	See our responses to Q13 and Q42.
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.	See our responses to Q13 and Q42.
Q47: Do you agree with the advantages that have been identified for this 'gas production information' disclosure option? Have any other advantages	See our responses to Q13 and Q42.

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<p>been missed or are there advantages that have been listed that are mischaracterised?</p>	
<p>Q48: Do you agree with the disadvantages that have been identified for this 'gas production information' disclosure option? Have any other disadvantages been missed or are there disadvantages that have been listed that are mischaracterised?</p>	<p>See our responses to Q13 and Q42.</p>
<p>Q49: Are there confidentiality issues that would limit this 'gas production information' disclosure option? Please provide details and any examples.</p>	<p>See our responses to Q13 and Q42.</p>
<p>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>	<p>See our responses to Q13 and Q42.</p>
<p>Q51: Do you agree with the advantages that have been identified for this 'gas consumption information' disclosure option? Have any other advantages been missed or are there advantages that have been listed that are mischaracterised?</p>	<p>See our responses to Q13 and Q42.</p>
<p>Q52: Do you agree with the disadvantages that have been identified for this 'gas consumption information' disclosure option? Have any other</p>	<p>See our responses to Q13 and Q42.</p>

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disadvantages been missed or are there disadvantages that have been listed that are mischaracterised?	
Q53: Are there confidentiality issues that would limit this 'gas consumption information' disclosure option? Please provide details and any examples.	See our responses to Q13 and Q42.
Q54: Have any publication channels been left out of the identified channel list? Are there channels in the list that should be excluded? Please provide details in your response.	We consider the list of publication channels to be sufficiently comprehensive.
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 use of a publication channel that is cost-effective, and the easiest for industry participants and the broader public to access.
Q56: Have you got any comments on the benefits analysis?	The findings of the benefits analysis appear to be reasonable. What is probably not quantified is the increased confidence by industry participants (and potential participants) and consumers in the gas market from greater transparency, which further enables the use of gas and greater participation in the gas market.
Q57: Could you please provide Gas Industry Co with estimates of your expected costs associated with the implementation and ongoing management of the various information disclosure options? This cost information is important for completing a full cost/benefit analysis.	Vector's gas trading business (as a shipper) will mainly be a recipient of information under any information disclosure regime in the wholesale gas sector. As such, we do not expect to incur additional, significant costs associated with its implementation. However, we continue to bear the cost of not being able to make the most informed decisions we can potentially make without the assurance of timely and symmetric access to information that an information disclosure regime can provide.

QUESTION	VECTOR'S COMMENT
	<p>We believe that Vector's Kapuni Gas Treatment Plant can comply with information disclosure obligations, particularly relating to planned and unplanned outages, at no significant additional cost to the business.</p> <p>We support the development of an information disclosure regime for the wholesale gas sector that would not impose onerous or unnecessary costs on industry participants and ultimately, consumers.</p>