

17 April 2019

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Dear Andrew,

Re: Options for information disclosure in the wholesale gas sector

Fonterra thanks the GIC for the opportunity to engage in this process through the workshop session on the 27th of March, and by providing feedback here.

Fonterra is a member of the Major Gas Users' Group (MGUG) and Major Energy User Group (MEUG) and supports the points raised in those submissions, as well as making the additional points in this submission.

Fonterra looks forward to further engagement on this topic and is willing to discuss further any matters regarding this submission.

Yours sincerely

Andrea Gibson
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Question	Comment
<p>Q1: Should shippers be included in an information regime? If so, what information do you consider should be disclosed?</p>	<p>As described in the consultation paper, if shippers do not hold information that would materially affect the outcome of the market, then they would not need to be included.</p> <p>Through participation in the workshop on the 27th of March, it was clear that not all parties understand which information is material for other parties.</p>
<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>	<p>No. We would like to see information about outages, both planned and unplanned disclosed in a more structured way.</p>
<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? Please include details and any examples in your response.</p>	<p>Yes, characterised appropriately.</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>Planned outages- We have a seasonal production curve with a production peak in late Spring and almost all manufacturing ceases during 6-8 weeks of winter (Roughly June and July). This information is not confidential.</p> <p>Unplanned outages- Fonterra uses gas at multiple sites across the North Island. An unplanned outage would likely occur at only one site, so the impact on gas usage may be below a notification threshold. Depending on the duration of the outage, and time of the dairy season, the milk could be processed at another site, so the total volume of gas consumed could be unchanged.</p>
<p>Q5: What processes does your organisation have to obtain information ahead of, and during, periods of reduced gas supply?</p>	<p>We would expect to be informed via shippers. During recent events, including the Pohokura outages in September and October 2018, we did not have sufficient notice of these events, and did not receive satisfactory updates during the outages. Our staff were using informal networks to try and get regular updates of outage duration and progress.</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 of reduced gas supply on Fonterra, and the resulting response is highly dependent on the time of year and duration of the outage.</p> <p>The Pohokura events in Spring 2018 occurred during the peak production period for the Dairy season.</p> <p>Because milk is a highly perishable product, the difference in response to an outage of less than 24 hours will be significantly different to greater than 72</p>

		<p>hours. For a shorter duration we may be able to store milk or move some production to sites using coal for process heat.</p> <p>After the 2011 pipeline outage event, we have also installed back up diesel generators at some key sites. We can use this for a period of time of a few days, then the diesel supply in NZ may become limited.</p> <p>For an outage of longer than a day, we would need to consider milk disposal options, which may create an environmental hazard, and potentially drying the cows off. This means they will not produce any milk for the remainder of the dairy season (until August).</p> <p>Additional costs, outside of lost production revenue, may include; non-gas fuel costs (additional coal, and diesel), extra transport/driver costs to move milk (sometimes across the cook straight), milk disposal costs, extra cleaning and lab testing costs if plant had to stop suddenly. Any of these scenarios will require a significant time resource of many people in the business.</p> <p>During the Spring 2018 outages, we were also impacted by high electricity prices.</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>The response will be different at different times of the year, and will be a constantly evolving plan as the event progresses.</p> <p>We would expect to have to move milk between our manufacturing sites and potentially run some sites on back up diesel generation. This is only available for short period of time (up to a couple of days) before the supply of diesel in NZ would become limited.</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>We would like to see at least a 12 month plan of planned outages.</p> <p>For unplanned outages we would like to be informed as soon as it is known that there will be an outage over an agreed threshold. We would like information about impact and expected duration to be published and updated frequently (twice per day) until the event is resolved. This would include an update of 'no new information available' if that is the case.</p>
Q9:	Is there any further information regarding outages that you would like to share?	<p>Because of the seasonal variation in the NZ dairy industry, our response to a reduced gas supply event will be different depending when and where it happens. This means we do not have one contingency plan for an outage, but rather a coordinated response depending on the particular set of events at the time. Because of this, we rely on having regular updates of any outages so we can react accordingly.</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.	Yes, potential problems identified correctly. Transparency and symmetry of information to the electricity market should be a key outcome of this work program. As stated in the consultation paper, information disclosure was limited following the Pohokura outages last Spring. This asymmetry of information led to high spot prices in the electricity market. We do not have confidence that this will not happen again unless there are changes to requirements for information disclosure.
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 problem that have not been analysed properly? Please explain your reasoning.	Yes, issues identified correctly.
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.	Yes, problem statement characterised appropriately.
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.	Yes, option has been identified appropriately.
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 mischaracterised?	Yes, agree that advantages have been identified.
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?	Yes, agree that disadvantages have been identified.
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.	No, not for outage disclosure. We currently operate with a voluntary disclosure option, and believe there are significant gaps in information, especially around outage disclosure. This has impacted us directly through reduced gas supply, and indirectly through asymmetry in the electricity market, leading to high electricity spot prices.

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.	Yes, option has been identified appropriately.
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 mischaracterised?	Yes, agree that advantages have been identified.
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?	Yes, agree that disadvantages have been identified. We agree with the points raised that under a principles-based system, it will be difficult for the regulator to monitor compliance, and that different parties will take different approaches to information disclosure. It was suggested in the workshop on 27 th March by some parties that this could also slow disclosure while parties work through their internal processes to decide if information is material and meets principle thresholds. When an outage occurs, we would like to see information available quickly and symmetrically.
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 exclusion should be considered and why? If confidentiality is a concern, please explain why this is the case, including any details and examples.	There should be thresholds below which disclosure is not required.
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.	Yes, option has been identified appropriately.
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?	Yes, agree that advantages have been identified.
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?	Yes, agree that disadvantages have been identified.
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?	Yes, agree that the issues have been identified.

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.	We do not support principle based disclosure for outages for the reasons in Q19 above.
Q26:	Do you agree with the proposed coverage for disclosure obligations? What issues do you see with the proposed coverage?	The definition of 'fairness' is subjective. We agree that if outage information on the demand side was to materially impact the market, then there should be some disclosure obligation. The supply side could provide examples, or evidence where a lack of outage disclosure on the demand side has led to a negative impact on the market. Fonterra has a seasonal production curve, so our planned outages occur over the winter period. Sharing this information could be beneficial because it could mean that planned outages on the supply side could be optimised for periods of low use for Fonterra.
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)?	We do not see the need for exclusions, but understand that this information is commercially sensitive for some large users.
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.	Yes there should be a minimum threshold.
Q29:	Should the threshold be on a facilities basis or company basis?	Company basis.
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.	No
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.	The definition of 'useful information for the market' is important. We do not think there is a clear understanding of what information is considered 'useful' when it comes to both planned and unplanned outages. We would rather have some timely information even if it is inaccurate, as this allows us to plan various contingencies.

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?	Yes, agree with the advantages.
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?	Yes, agree with the disadvantages.
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.	There should be a threshold limit, below which there is no requirement to disclose.
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.	The definition of 'useful information for the market' is important. We do not think there is a clear understanding of what information is considered 'useful' when it comes to both planned and unplanned outages. We would rather have some timely information even if it is inaccurate, as this allows us to plan various contingencies.
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, agree with the advantages.
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, agree with the disadvantages.
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.	There should be a threshold limit, below which there is no requirement to disclose.
Q39:	Should lagged emsTradepoint traded volumes and prices be disclosed under an information disclosure regime? Please provide reasons in your response.	Yes, if data is aggregated and lagged. This would be in line with NZX and electricity wholesale markets.

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 mischaracterised?	Yes, agree that advantages have been identified.
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?	Yes, agree that disadvantages have been identified.
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)?	Yes.
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 mischaracterised?	Yes, agree that advantages have been identified.
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?	Yes, agree that disadvantages have been identified.
Q45:	Are there confidentiality issues that would limit this option? Please provide details on any confidentiality concerns.	Not if data is aggregated and consolidated into time periods.
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, if this will support information transparency for the electricity market.
Q47:	Do you agree with the advantages that have been identified for this 'gas production information' disclosure option? Have any other advantages been missed or are there advantages that have been listed that mischaracterised?	Yes, agree that advantages have been identified.
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?	Yes, agree that disadvantages have been identified.

Q49:	Are there confidentiality issues that would limit this 'gas production information' disclosure option? Please provide details and any examples.	Not if data is aggregated.
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.	If data is aggregated then it could be disclosed if it provides market transparency benefits.
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 mischaracterised?	Yes, agree.
Q52:	Do you agree with the disadvantages that have been identified for this 'gas consumption information' disclosure option? Have any other disadvantages been missed or are there disadvantages that have been listed that are mischaracterised?	Yes, agree.
Q53:	Are there confidentiality issues that would limit this 'gas consumption information' disclosure option? Please provide details and any examples.	Not if data is aggregated.
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.	No. We support having one central, regularly updated source of information, particularly for reporting of outages.
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?	The pros of having one published source of information is that all parts of the market will be receiving the same information at the same time.
Q56:	Have you got any comments on the benefits analysis?	No
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.	Do not expect significant additional cost.