

Questions

Submission prepared by: Quintin Tahau, emsTradepoint Limited

Question		Comment
Q1:	Should shippers be included in an information regime? If so, what information do you consider should be disclosed?	Yes, we believe that shippers should be included in the disclosure regime to the extent that they hold information equivalent to that which other parties would need to disclose. The list provided highlights the substantial overlap between shippers and other groups. We support a regime in which information is fairly disclosed regardless of the classification of the party. If, for example, prices and volumes are to be disclosed, all parties holding this information should be expected to disclose it.
Q2:	Is the information currently disclosed by the transmission pipeline operator sufficient? If not, what further information should be released through information disclosure arrangements?	Yes, emsTradepoint agrees that the information currently disclosed by the transmission pipeline operator is sufficient. Ahuroa Gas Storage facility, now run by First Gas related entity Gas Services New Zealand (GSNZ), should be included in the disclosure regime, with a requirement to declare aggregate storage across all parties using the facility.
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.	Yes, the upstream sector and its potential information issues have been characterised appropriately.

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>Yes, the demand-side and its potential information issues have been characterised appropriately.</p> <p>The publication of outage (planned and unplanned) information by major gas users is an important input into a functioning gas wholesale spot market as it allows market participants to better assess risk and their market positions. Asymmetric information inevitably increases risk for other trading participants and, as we have seen in recent months, this can have wide-ranging corrosive effects on trading, market confidence (in gas and interrelated markets) and ultimately investment.</p>
Q5:	What processes does your organisation have to obtain information ahead of, and during, periods of reduced gas supply?	<p>As the central counter-party to gas trades through our market, emsTradepoint can access gas delivery data related to supply into the future. This provides a view of gas volumes and pricing, which is available to all subscribers to the emsTradepoint platform at present. Periods of reduced gas supply can generally only be inferred based on trading activity of participants.</p> <p>Access to OATIS allows us to view daily delivery reports and station metering data that shows hourly scheduled quantity against actual hourly flows. This does add some value part but is only a small part of the puzzle.</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>Reduced gas supply, especially when there is the lack of a robust information disclosure has a very large negative effect on the emsTradepoint business.</p> <p>emsTradepoint has enjoyed significant growth over the years as we seek to provide a liquid and efficient market for gas trading in New Zealand. Initially starting with a modest 112 TJ traded through our market in 2013, trade volume continued to grow annually, peaking in 2017 with 6.4 PJ (up 137% on 2016) transacted through emsTradepoint. 2018 was on track for similar growth. However, the Pohokura outages saw a large reduction in trading.</p> <p>The direct effect of a lack of information disclosure and the asymmetry that this created quickly undermined the developing market, and the ongoing corrosive effect on trust and investor confidence risks undermining the ability of market participants to trade fairly and freely.</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?	No comment
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?	No comment.
Q9:	Is there any further information regarding outages that you would like to share?	emsTradepoint believes it is critical to energy markets and the wider economy that gas outage information is disclosed. We would like to see a disclosure regime comparable to the outage information shared by electricity industry participants via POCP.
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>We believe the potential information problems are correctly identified but need to also be weighted.</p> <p>The most critical issue, in our view, is the first problem identified: information about major plant outages is currently asymmetric, which creates potential for unfair trading practices and abuse of market power. We agree with the GIC’s statement that “Limited information transparency and information asymmetry related to outages may impact on the efficient operation of the market and lead to fairness issues.” We consider the GIC’s observation that “Outage information is disclosed in all the markets we have reviewed” is telling. We consider the status quo risks long-run damage not only to the gas market but also to a wide range of associated markets and industries in which gas plays a key role.</p> <p>The second problem identified speaks directly to our emsTradepoint marketplace. We have built a successful business and recognise the opportunity to provide price and volume information to all interested parties, not only subscribers. We are keen to play a constructive role in the market and will look to make price and volume information available as a free service</p>

		<p>as our contribution towards a better functioning market built on information disclosure.</p> <p>Market information is most valuable if the market is well-functioning. Without the disclosure of plant outages the risk is that trading activity will be adversely affected such that our data provides no useful insight to participants. We strongly encourage the GIC to implement a <u>mandatory</u> regime for disclosure of plant outage information.</p> <p>To fully address the information disclosure issues, we believe that all wholesale market transactions should be disclosed - not just those traded via emsTradepoint. We could easily extend our platform to provide this service whilst preserving the anonymity of the parties. The form of the information published could be an index similar to emsTradepoint's monthly and quarterly indices.</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 problem that have not been analysed properly? Please explain your reasoning.	We believe that the issues are appropriately identified. The primary issue is disclosure that address information asymmetry and its corrosive effect on the gas market and all the inter-related markets.
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, the proposed problem statement has been 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, the voluntary disclosure 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?	No, we do not believe the advantages have been accurately identified. No evidence is provided as to why this regime would be lower cost. In many cases simple and clear rules are easier to follow and hence lower cost than opaque voluntary regimes under which parties can spend substantial effort considering and disputing behaviours.
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, emsTradePoint agrees with the identified disadvantages with the voluntary disclosure option.
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, we do not believe that voluntary disclosure is a viable option. The disadvantages mentioned highlight that a voluntary regime will not address the serious issues that were raised in the Minister's letter to the GIC. The paper mentions that under a voluntary regime some parties are unlikely to disclose and others would be unable to disclose. We believe a voluntary regime would not successfully or meaningfully address the problems identified.
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, the principles-based information disclosure 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, we agree with the advantages that have been identified for the option.
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?	No, we do not believe the disadvantages have been identified for the option. The comments raised appear speculative, ungrounded and inconsistent.

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.	If gas contract information was included in the principles-based regime then the identity of the contract parties should be excluded from public disclosure. The primary reason for publishing price, quantity and delivery periods is to allow efficient price formation and discovery. The name of the organisations party to each trade is irrelevant to price formation and discovery.
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, the specific principles-based information disclosure 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, we agree with the advantages that have been identified for the principles-based information disclosure option. An additional advantage is that the systems required for the disclosure and publication of outages (POCP) and trade information (emsTradepoint) already exist. Minor enhancements would be required to both systems to support a rules-based regime.
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?	No, we do not agree. The disadvantages appear to say that a challenge with rules is that they may leave gaps. It is important to contrast this with alternatives. We consider an alternative with no rules leaves more and much wider gaps. As such we do not believe that a well-designed rules-based regime would have the disadvantages listed. Instead we see no disadvantages to a well-designed rules-based regime.
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, the implementation issues associated with the information disclosure options been characterised appropriately. Consideration should also be given to potential for synergies arising from the significant change to industry systems and business processes associated with GTAC implementation. GTAC implementation could present an opportunity for a simple, effective disclosure regime to be added quickly and efficiently.

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.	No, we do not think this is a viable option. While principles-based disclosure can address the issues, we have concerns about a voluntary industry-led initiative. As the paper notes, a voluntary regime is likely to be avoided and yield limited and inconsistent information. We believe a stronger obligation is needed to ensure that principles yield consistent information that addresses the informational issues at hand.
Q26:	Do you agree with the proposed coverage for disclosure obligations? What issues do you see with the proposed coverage?	Yes, we agree with the proposed coverage for disclosure obligations. However, we propose that the coverage be expanded to include all gas trades irrespective of the platform used to transact.
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 believe that there should be coverage exclusions. Where genuine security-related issues are raised regarding infrastructure or shipping vessels as a result of publication of outage information, systems and processes should be in place to ensure only organisations and personnel authorised have access to this information.
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, it is appropriate for a minimum threshold to be in place. The electricity industry has similar thresholds in place, such as the capacity of market generation. We recommend a common-sense approach that is based on minimum size threshold, i.e. if a production field is less than 1-2% of total production it won't materially affect the wholesale gas market, therefore should be excluded from disclosure. A minimum threshold could be based on what impact the loss of a producing field (or an outage at a gas users plant) would make to the overall gas market, including inter-related markets.
Q29:	Should the threshold be on a facilities basis or company basis?	The threshold should be set on a facility basis so that all facilities are treated equally and the same level of materiality applies regardless of ownership.
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.	

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>Yes, the planned outage disclosure option has been identified appropriately.</p> <p>This aligns with the disclosure regime in the NZ electricity industry where participants use POCP to signal outage details to the market.</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>Yes, we agree with the advantages that have been identified for the planned outage disclosure option.</p> <p>Market efficiency can be promoted in a competitive market if prices incorporate all available information. Gas wholesale market participants will be better able to assess the market position if they have access to planned outage information.</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>No, we do not agree that the listed items should be characterised as disadvantages with the planned outage disclosure option.</p> <p>Many of the parties that would be required to disclose planned outage information already participate in a similar regime through the electricity market. We are not aware of any analysis showing the compliance costs of such an option. We believe that a well-designed set of rules should require no additional costs relative to a voluntary system.</p> <p>The counter-factual should also be considered – what are the disadvantages of the absence of a planned outage disclosure regime?</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.	No, there should be no exclusions in an outage disclosure regime.
Q35:	Has this unplanned outage disclosure option been identified appropriately? Are there alternative versions of	Yes, the unplanned outage disclosure option has been identified appropriately.

	the option that are worthy of consideration? Please provide reasons in your response.	
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 that have been 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?	No, the disadvantages have not been correctly identified. The paper notes that all other markets include disclosure rules around unplanned outages and yet provides no evidence for higher costs to operate in those markets nor any concerns about confidentiality. As such we fail to see these as material disadvantages. The counter-factual should also be considered – what are the disadvantages of the absence of an unplanned outage disclosure regime?
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.	No, there should be no exclusions in an outage disclosure regime.
Q39:	Should lagged emsTradeport traded volumes and prices be disclosed under an information disclosure regime? Please provide reasons in your response.	Yes, we agree that lagged traded volumes and prices should be disclosed under an information disclosure regime. emsTradeport supports this option and we will work to deliver it. We believe that all gas wholesale market trades should be published through this same mechanism in order to ensure uniformity, availability and meaningful price discovery.

		Such information can maintain anonymity of the trade parties while presenting the relevant information to the wider market in the form of a series of indices. This is consistent with emsTradepoint's current practice.
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?	<p>Yes, we agree with the advantages that have been identified for the disclosure option - if the net was extended to include all gas wholesale market trades.</p> <p>As mentioned in the GIC's Options Paper, emsTradepoint peaked at just 3% of the underlying gas wholesale market. The remaining 97% of the market (the vast majority of volume traded) remains hidden within bilateral commercial agreements. Meaningful forward price discovery and formation, and the ability for participants to manage their risks effectively, will not result from a focus only on trades transacted through emsTradepoint.</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>We partly agree with the stated disadvantages.</p> <p>emsTradepoint will continue to provide subscription-based access to our exchange but with different levels of access depending on participation level.</p> <p>A good example is the model used by Energy Market Services to supply electricity information through em⁶ (em6.co.nz). Access to em⁶ is via a paid subscription model. Users pay only for the modules that they have interest in.</p> <p>Aggregated information is freely available via em⁶live (em6live.co.nz).</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>emsTradepoint supports the publication of volume weighted average prices via a series of indices similar to our monthly and quarterly indices.</p> <p>As noted previously we advocate the inclusion of all gas wholesale market trades, not just trades placed through emsTradepoint.</p> <p>An important factor to remember is that prices for products traded through emsTradepoint include carbon, industry levies and gas, while other wholesale trade prices may or may not include carbon and levies. This presents a</p>

		technical challenge to presenting a “pure” gas-only index price across all gas traded through the NZ gas wholesale market.
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, emsTradepoint agrees with the advantages that have been identified for weighted average price & volumes option.
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?	<p>No, we do not agree. The information sensitivity of contracts is the same for bilateral and market based or brokered transactions. We would not separate the two and believe that the key is to disclose the information in a way that does not undermine confidentiality.</p> <p>emsTradepoint will continue to provide subscription-based access to our exchange for richer features. We do not see freely available information as mutually exclusive to a commercial model with reasonable fees.</p>
Q45:	Are there confidentiality issues that would limit this option? Please provide details on any confidentiality concerns.	<p>As mentioned previously, emsTradepoint proposes that disclosure of traded volumes and prices be extended to include all gas wholesale market transactions.</p> <p>emsTradepoint is happy to provide this service as part of the service discussed and proposed above, which would provide free access to information through our platform. Doing so would leverage existing functionality to protect the confidentiality of all parties while disclosing information to the market.</p>
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.	<p>emsTradepoint supports longer-term outlook for gas production information to enable trading participants to better evaluate their forward gas position. Currently, the longest forward trades through emsTradepoint have been up to 10 months.</p> <p>We believe that the trading of gas into the future will be strengthened by longer dated gas production information. Twelve months might be insufficient</p>

		based on the longer-term nature of supply agreements with typical terms of 24-36 months, and some terms as long as ten years.
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, emsTradepoint agrees with the advantages that have been identified for this 'gas production information' disclosure option.
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?	emsTradepoint agrees with the disadvantages identified for the 'gas production information' disclosure option. The cost to parties to provide regular information should be managed to minimise the impact on those parties.
Q49:	Are there confidentiality issues that would limit this 'gas production information' disclosure option? Please provide details and any examples.	
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.	emsTradepoint agrees that major users should be subject to similar disclosure obligations as gas producers to ensure symmetry of information in the gas wholesale market. This information will also have flow-on value to the electricity market given the materiality of gas as an input into the power system, including for security of electricity supply and pricing.
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, emsTradepoint agrees with the advantages that have been identified for this 'gas consumption information' disclosure option.
Q52:	Do you agree with the disadvantages that have been identified for this 'gas consumption information' disclosure option? Have any other disadvantages been	Yes, emsTradepoint agrees with the disadvantages that have been identified for this disclosure option.

	missed or are there disadvantages that have been listed that are mischaracterised?	As with gas producers, the cost to major users to provide regular information should be managed to minimise the impact on their business.
Q53:	Are there confidentiality issues that would limit this 'gas consumption information' disclosure option? Please provide details and any examples.	<p>Yes, there are likely to be confidentiality issues raised with disclosure of gas consumption information, however provisions can be made to maintain anonymity.</p> <p>Aggregation of consumption information will assist in protecting the commercial interests of parties to ensure that no single organisation can be identified.</p>
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.	<p>emsTradePoint believes that our platform is a simple and effective channel for publication of weighted average price and aggregate traded volume information for all gas wholesale market transactions.</p> <p>All wholesale parties can be provided access (if they are not already emsTradePoint trading participants) to record trades. Monthly and quarterly indices and similar metrics (e.g. Daily Volume Weighted Average Price) can be presented through the exchange, our public website, or em⁶Live (em6live.co.nz)</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?	<p>emsTradePoint's views of the four publication options outlined are:</p> <ol style="list-style-type: none"> 1. emsTradePoint does not support this option. The cost to establish and maintain a website to publish sensitive market information should not be underestimated. 2. emsTradePoint does not support this option. Low cost options such as a public website are likely to lack the complexity and usability that is required to deliver the information requirements of the NZ energy industry. Security of data is paramount and therefore a public website should not be used to maintain or store the data discussed in this paper. 3. emsTradePoint supports this option. POCP is a purpose-built and proven platform ideally suited to manage the outage information

		<p>discussed in this paper. We think leveraging the existing POCP platform should be a lower cost option.</p> <p>4. emsTradePoint does not support this option. First Gas' new gas transmission access system, TACOS, remains an unknown quantity so at this stage it is difficult to assess suitability as a publication channel.</p>
Q56:	Have you got any comments on the benefits analysis?	<p>We agree that the benefits of a well-designed information disclosure regime are significant. Using more recent gas prices would suggest higher NPVs than those listed in the paper. There are also material benefits to other inter-related industries, such as the electricity market and manufacturing industries, that should be captured. We consider these additional benefits materially increase the value to New Zealand that can be expected to arise from implementation of a robust, well-designed gas industry information disclosure regime.</p>
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.	<p>For the provision of weighted average price and aggregate traded volume information for all gas wholesale market transactions through emsTradePoint's platform with free access, emsTradePoint estimates an investment of approximately \$200k-300k (depending on the complexity of the requirements).</p> <p>This includes the changes required to publish through our exchange and excludes provision of data to other systems such as em6Live or GIC.</p>