

12 June 2019

Sarah Stevenson  
Manager, Resources Markets Policy  
Ministry of Business, Innovation and Employment  
By email to [Resources.Markets.Policy@mbie.govt.nz](mailto:Resources.Markets.Policy@mbie.govt.nz)

Dear Sarah

### Options for amending the Gas Act

1. This is a submission by the Major Electricity Users' Group (MEUG) to the Ministry of Business Innovation and Employment discussion paper 'Options for amending the Gas Act 1992' published 15 May 2019.<sup>1</sup>
2. MEUG members have been consulted in the preparation of this submission. This submission is not confidential. Some members may make separate submissions.
3. MEUG's interest is in improving information disclosure for planned and unplanned gas outages. TDB Advisory in a report for MEUG on Gas Industry Governance – Incentives, regulation and Outcomes published April 2019, in relation to gas information disclosure, concluded<sup>2</sup>:

#### Disclosure

4. Introduce disclosure obligations on upstream gas producers regarding planned and unplanned outages including force majeure events
5. Regulate disclosure obligations rather than rely on a voluntary solution.
6. The GIC should aim to be in a position to send its recommendation for regulation of disclosure the day after the amendment to the Gas Act passes.
7. Unless justified by a clear problem, do not extend disclosure obligations to cover commercial information.

4. The above recommendations presumed the Gas Act would be amended to allow the option to implement broader disclosure regulations. Consideration of the details of such regulations including the conclusions by TDB Advisory above will, assuming the Act is amended, be part of future consultation. The next sections of this submission address the 2-questions in Part 3 of the discussion paper on the first step of whether the Act should be amended to provide for broader disclosure regulations.

<sup>1</sup> <https://www.mbie.govt.nz/have-your-say/amending-the-gas-act/>

<sup>2</sup> Refer <http://www.meug.co.nz/node/999>, section 7, p53. Detailed analysis supporting these recommendations is found on pp33 to 40 and pp50 to 51 of the TDB Advisory report.

**Question eight: What concerns do you have about the flow and availability of information available to you or your organisation regarding situations that may affect the price and/or availability of gas supply?**

5. MEUG agrees with the commentary on the problems with the current information disclosure in sub-sections 3.2 and 3.3 of the discussion paper. That discussion aligns with MEUG's submission to the Gas Industry Company (GIC) on options for information disclosure<sup>3</sup>:

"MEUG's interest in improving wholesale gas information disclosure is because gas will continue to be an important power station fuel for the foreseeable future. Imperfect information issues in the gas market flow through to and detrimentally, that is increase, uncertainty and hence price volatility during high price events in the electricity market. These outcomes undermine a low-cost and resilient electricity supply being achieved for the long-term benefit of consumers."

**Question nine: Do you support the inclusion of an additional regulation/rule making power in the Act to require broader disclosure of information from the gas industry?**

6. MEUG agrees with the proposed solution for new broader information disclosure regulation making powers in sub-section 3.4 of the discussion paper.
7. In addition, MEUG believes an amendment to the Act to enable such regulation making powers is urgently needed. In our submission to the GIC we noted<sup>4</sup>:

"We understand upstream participants are pro-actively working to develop options to improve the disclosure regime. We welcome that initiative, but stress time is of the essence. Two Pohokura gas field unplanned outage events last year may be coincidental or due to pipeline reliability declining as the economic lives of fields ends. A repeat of the spring 2018 events with simultaneous planned or unplanned outages in gas and electricity infrastructure is an ongoing and possibly increasing risk. Planned major outages are a common occurrence in the electricity sector. For example

- The planned partial HVDC outages in less than a month on 11<sup>th</sup> and 12<sup>th</sup> May; and
- Around 13-weeks partial HVDC outages for the Oteranga Bay to Haywards A line reconductoring (OTB-HAY A) next summer."

8. The first of these planned outages has subsequently been completed with no observed detrimental outcomes such as those in Spring 2018. This outcome we think was mainly due to good inflows into lakes providing a high buffer in electricity supply offsetting anecdotal reports of an unplanned event affecting the Kupe gas field. That unplanned outage repeated prior experience whereby only some in the gas and electricity market were appraised of details of the event.

Yours sincerely



Ralph Matthes  
Executive Director

<sup>3</sup> Refer <http://www.meug.co.nz/node/998>, MEUG to GIC, 17 April 2019, paragraph 2. [add web ref.]

<sup>4</sup> Ibid, paragraph 6.