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TRUSTPOWER SUBMISSION: OPTIONS FOR AMENDING THE GAS ACT 1992

1 Introduction

- 1.1.1 Trustpower appreciates the opportunity to submit on the Ministry of Business, Innovation & Employment (**MBIE**) *Options for amending the Gas Act 1992* discussion document (**the Discussion Document**).
- 1.1.2 We hope this submission will help inform MBIE on what gas governance arrangement changes are needed in the Act to ensure that fit-for-purpose information disclosure arrangements can be recommended by the Gas Industry Company (**GIC**).

2 Trustpower's view

- 2.1.1 Trustpower is highly supportive of the MBIE reviewing the Gas Act 1992 and seeking to identify any areas where changes may be required to:
 - (a) address any emerging challenges under the Gas Act created by emerging technologies and alternative gaseous fuels (Part 2 of the Discussion Document);
 - (b) enable increased information disclosure (Part 3 of the Discussion Document); and
 - (c) adjust the level and type of penalties able to be imposed under the Gas Act (Part 4 of the Discussion Document).
- 2.1.2 We have been strong advocates for improvements to information disclosure in the wholesale gas sector for a number of years. We believe there are strong drivers from some parts of the sector to maintain opaqueness.
- 2.1.3 Information asymmetry in the gas market can have significant implications the wider energy sector, and adjacent industries. We note that the significant gas outages in 2018 and early 2019 have notable implications to the electricity sector, and flow on impacts to consumers of electricity, as well as gas.
- 2.1.4 Trustpower considers that:
 - (a) the gas market in New Zealand continues to be opaque. It lacks additional and robust information in situations that may affect the price and supply of gas which creates broader inefficiencies in the wider energy sector; and
 - (b) to address these inefficiencies, the MBIE should put forward changes to the Act which will ensure the GIC has broad powers to regulate for information disclosure.
- 2.1.5 We address these matters in the rest of this submission. We have not chosen to provide any comments on those other matters explored in Part 2 and Part 4 of the Document, at this time.

3 Inefficiencies are being caused by asymmetry of information in the gas market

- 3.1.1 Transparency of information has significant benefits in ensuring a competitive and efficient gas market. It enables more efficient decision making, reduces information asymmetries, and ensures a level playing field (to name a few benefits).
- 3.1.2 Information transparency can also have an important role in facilitating monitoring of the development and level of competition in the gas market, along with identifying any incidents of potential abuse of market power. Put simply, markets work better with better information.
- 3.1.3 For a number of years, Trustpower has strongly supported the progression of work to improve information disclosure in the gas market. While First Gas has worked hard to improve transparency over elements of its pipeline operations, a number of information asymmetries still remain within the broader market.
- 3.1.4 Trustpower considers that there are a number of aspects of the current gas market arrangements which are opaque and create broader inefficiencies. These include:
- (a) no information on planned and unplanned outages for production facilities and major gas users;
 - (b) lack of information regarding forecast production and consumption over the short and medium term; and
 - (c) no visibility on the amount of gas stores in the ex-Vector transmission system.
- 3.1.5 Information transparency is vital to the overall effective operation of any market, and at this time, the gas market in New Zealand does not have a transparent framework that ensures the flow and availability of information in situations that may affect the price and supply and gas.
- 3.1.6 Fuel supply restrictions such as the ones that occurred in the gas market in 2018 and early 2019 have significant implications for the electricity market as well. For this reason we have been highly supportive of the GIC exploring whether or not to implement an information disclosure regime.

4 The Act should provide the GIC with appropriate empowering provisions

- 4.1.1 As per Trustpower's submission to the GIC's Options paper, we consider a regulated solution will be required to improve information transparency in the gas industry. We continue to support the inclusion of additional regulation/rule making powers into the Act to enable the GIC to require broader disclosure information from the gas industry.
- 4.1.2 Finally, it is vital that the GIC's powers are not unintentionally constrained in considering information disclosure in the wholesale gas market in isolation.
- 4.1.3 When drafting the empowering provisions, it will be important that the GIC has sufficient scope to account for the wider benefits that will accrue within the electricity market and other adjacent sectors from improvements in information transparency in the gas market when making an assessment to regulate information disclosure requirements.

4.1.4 If you have any questions relating to the material in this submission, please contact me on [redacted] or alternatively Craig Schubauer, Wholesale Markets Manager on [redacted].
Regards,



Fiona Wiseman
Senior Advisor, Strategy and Regulation