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Economic Development, Science and Innovation Select Committee
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Submission on the Gas (Information Disclosure and Penalties) Amendment Bill

Introduction

1. This is Vector Limited's (Vector) submission on the *Gas (Information Disclosure and Penalties) Amendment Bill* (the Bill), published by Parliament's Economic Development, Science and Innovation Select Committee (the Select Committee) in June 2020 for public consultation.
2. Vector generally agrees with the amendments to the *Gas Act 1992*, as proposed in the Bill, which provide for the disclosure of information that may have a significant impact on the gas downstream sector or may contribute to the risk of critical gas shortages, and ensure suitably robust penalty settings.
3. We set out below our comments on the proposed information disclosure regime and penalty settings and make a couple of suggestions for improvement.

Proposed information disclosure regime

4. Vector supports the development of a cost-effective information disclosure regime that promotes transparency, efficiency, and confidence, particularly in the wholesale gas sector.
5. We particularly support the disclosure of information on gas production, storage, and large user facility outages and other events affecting supply that are likely to have a material impact on the gas market. As a gas shipper and recipient of information during times of reduced gas supply, we consider it important to have timely information on both planned and unplanned outages at the same time as all other affected, or potentially affected, market participants. This could include, among other things, information on current estimates of the duration of the outage, opportunity for partial restoration, complexity of the restoration process (which could influence the timeliness of partial or full restoration), and regular status updates. We also find it useful to have timely information on the responses of large gas users to outages.
6. Without the assurance of timely and symmetric access to planned and unplanned outage information, we and other industry participants in the same position continue to bear the cost of not being able to make the most informed decisions we can potentially make. This does not promote efficiency in the gas market, which is not in consumers' interest.
7. We consider most of the information identified under clause 9(3) of the Bill that may be captured by the proposed information disclosure regime to be related to the gas wholesale/upstream sector. We note that the highly regulated gas transmission and distribution sectors already have well-established information disclosure regimes under

Part 4 of the *Commerce Act 1986*. Given the competitive nature of the gas wholesale market, we **suggest** that the Bill or relevant regulations provide that the disclosure of information be subject to commercial confidentiality restrictions. For example, commercially sensitive information may be obtained by the co-regulator from particular market participants to inform its decision on a specific event but can only be published in aggregated form.

Proposed penalty settings

8. Vector agrees with the proposed penalty settings in the Bill, which will:

- a. increase the maximum level of pecuniary penalty that the Gas Rulings Panel can order an industry participant to pay, from \$20,000 to \$200,000

We agree with this proposal, particularly where a wide range of consumers are affected, or potentially affected, by a breach of the gas governance regulations or rules.

We consider it appropriate that the penalty limits in the *Gas Act 1992* are aligned with the equivalent penalty under the *Electricity Industry Act 2010*, which is consistent with good regulatory practice.

- b. allow regulations to provide for the High Court to impose a pecuniary penalty on consumers (other than domestic consumers) for breaches of the gas governance regulations or rules, with the regulations specifying the maximum penalty which must not exceed \$200,000

We agree with the introduction of an appropriate civil pecuniary penalty that would apply to consumers who are not classified as industry participants, for example, large gas users. This allows for the alignment between the penalty regimes for industry participants and non-industry participants. In our view, there is no practical difference in the way a consumer uses gas and responds to regulatory incentives regardless of where they purchase gas – from retailers, producers, wholesalers, etc.

Future reviews

9. We **suggest** that the Bill or the relevant regulations provide for a review of the implementation of the proposed information disclosure regime two years following its introduction, and regular reviews thereafter.
10. The intervals between future reviews could be determined by the level of compliance during the initial two-year period, taking into consideration suggestions for improvement from the first review.

Concluding comments

11. Vector has been actively engaging with the industry body (Gas Industry Co) and other industry participants in Gas Industry Co's development of a Statement of Proposal to inform regulations and governance arrangements that will be enabled by this Bill. We will continue to actively participate in this ongoing process and contribute to ensuring greater transparency, efficiency, and consumer confidence in the gas market.
12. We are happy to discuss any aspect of this submission with the Select Committee. Please contact Luz Rose (Senior Regulatory Partner) at Luz.Rose@vector.co.nz or 04 803 9051 in the first instance.

13. No part of this submission is confidential, and we are happy for the Select Committee to publish it in its entirety.

Yours sincerely
For and on behalf of Vector Limited



Neil Williams
GM Market Regulation