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Dear Joshua

## Feedback on the Draft Upstream Gas Outage Information Disclosure Code 2019

### Introduction

1. Thank you for the opportunity to provide feedback on the draft *Upstream Gas Outage Information Disclosure Code 2019* (the Code), produced by the Petroleum Exploration and Production Association of New Zealand (PEPANZ) on behalf of large upstream gas producers and storage owners, and released by the Gas Industry Company (GIC) on 17 October 2019 for stakeholder consultation.
2. Vector recognises PEPANZ's efforts in facilitating the development of the above Code.
3. We set out below our views on, and suggestions for improvement to, specific provisions of the Code. No part of our comments is confidential.
4. Vector's contact person for this feedback is:

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### An improvement on current gas outage notification arrangements

5. In Vector's view, the proposed Code represents an improvement on current notification arrangements around planned and unplanned gas production and storage outages. Its voluntary nature means it can be implemented in an expeditious manner.
6. We note that the GIC released on 25 October 2019 a second consultation paper on information disclosure in the wholesale gas sector, *Information Disclosure: Problem Assessment*. In the Executive Summary of the consultation paper (page 2), the GIC indicates that:

In parallel with this workstream, upstream gas producers (OMV, Greymouth Gas, Todd Energy and Beach Energy), the Petroleum Exploration and Production Association of New Zealand (PEPANZ) and Flex Gas have proposed a new industry-led information disclosure regime in respect of planned and unplanned outages. Gas Industry Co will assess these arrangements in the Statement of Proposal.
7. While it remains to be seen whether the GIC will recommend the adoption of the Code (or elements of it) as a voluntary arrangement or in regulated form, we see no reason why the Code cannot be immediately implemented by PEPANZ and its intended signatories. This

would be a 'quick win' for the advancement of information transparency and asymmetry in the gas sector.

## Technical issues

### *Quantity thresholds*

8. The Code sets the following quantity thresholds for the notification of **unplanned outages**:
  - a. in relation to a production facility and a gas day:
    - 1) any reduction in sales nominations caused by a facility outage compared against the week ahead or other nominations made under the applicable gas transmission code in respect of that facility, for the period including that gas day, in a quantity **20 TJ** or more; or
    - 2) any reduction in the maximum gas production capacity from the facility in a quantity equal to or greater than **50 TJ** per gas day measured against the maximum quantity of gas produced for domestic export or sale from that facility over the immediately preceding 14 gas days; and
  - b. in relation to a storage facility and a gas day, any reduction in the withdrawal capacity from that facility, caused by an outage, in a quantity of **20 TJ** or more per gas day measured against the total withdrawal capacity of that facility. . .

[emphasis added]
9. It is not clear how the above thresholds have been determined but we would expect that, relative to market size, these thresholds would be similar to those in other gas markets.

### *Information platform*

10. We agree with clause 5.1 of the Code which provides that "...a gas producer may choose to upload any required disclosure of an outage to the industry notifications tab on the industry body's website located at <https://www.gasindustry.co.nz/industry-notifications/>".

## Compliance

11. Clause 5.2 of the Code provides that the operation of the Code "will be reviewed by gas producers no later than 12 months after coming into force, and thereafter at two yearly intervals".
12. To ensure the Code's robustness, we suggest that any future audits and reviews be conducted by an independent party or auditor, or by the GIC.

## Adaptability and sustainability

13. As a voluntary arrangement, the sustainability of the Code could be undermined by one or more parties withdrawing from it in the future.
14. We recommend that the parties acceding to the Code, and any changes to those parties, be made public. So long as this is the case, parties to the Code would face strong incentives to keep supporting the Code, e.g. for reputational reasons.
15. We believe the Code will generate strong support from the wider industry and be more sustainable if it remains 'fit for purpose' and evolve with industry expectations. One way of

ensuring this is for the Code to include a mechanism for capturing suggestions for future improvements from industry participants in a timely and efficient manner.

### **Concluding comments**

16. We would welcome the immediate implementation of the proposed Code which we believe will deliver timely improvements in the notification of planned and unplanned gas production and storage outages. This will also support and better inform the GIC's consideration of a broader information disclosure regime for the wholesale gas sector, which could take much more time.
17. We are happy to discuss any aspects of our feedback with PEPANZ or with any of the parties involved in the development of the Code.

Yours sincerely  
For and on behalf of Vector Limited



**Richard Sharp**  
Head of Pricing and Regulatory Compliance