



14 December 2022

Electricity Authority

Via email: reviewconsultation2022@ea.govt.nz

Dear Consultation Team,

Promoting competition in the wholesale electricity market in the transition toward 100% renewable electricity (Consultation Document)

Background

OMV New Zealand (OMV) is a major energy provider for the country, finding and developing natural gas deposits in Taranaki. Our business helps to meet the energy demands of New Zealanders in economically, environmentally, and socially responsible ways.

Early this year OMV launched a new global strategy which will see the oil and gas business decline over time to be replaced with low carbon energy sources. By 2050 OMV intends to be a net zero company across all of Scope 1, 2 and 3 emissions.

OMV recognises and supports the objectives of the Climate Change Response (Zero Carbon) Amendment Act 2019 and its goal of achieving net zero emissions by 2050.

OMV welcomes the opportunity to make a submission on the Consultation Document.

Disclosure of gas information

OMV limits its comments on the Consultation Document to Chapter 6, specifically paragraphs 6.30 to 6.36 which relate to disclosure of gas information.

Summarising paragraphs 6.30-6.36 of the Consultation Document, the EA is seeking to acquire powers to have parties who operate in the gas market, but are not participants in the electricity market ('non-market participants'), disclose information to the EA for the purpose of (i) having visibility of the allocation of gas to different consumers when a gas producer cannot meet contracted demand, (ii) managing dry year risk, and (iii) monitoring trading conduct. The EA has not specified exactly what information would be sought, but that it would include "information on supply agreements" (which we assume could cover the full gas supply agreements themselves (GSAs), and how delivery between customers is prioritised when supply is constrained.

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Relevance of non-market participant information

- Information relating to GSAs between two non-market participants cannot be of any real value to the EA since that gas is de facto not available to thermal generators and the electricity market. If one of those non-market participants later enters into an agreement to re-sell / swap / or otherwise redirect some of that gas to a thermal generator (as has happened in recent years), it would then be available for power generation and would be covered under the EA's existing information powers.
- With reference to that part of the EA's purpose relating to delivery priority between customers in supply constraints, the fundamental uncertainty in supply volumes under GSAs is typically the underlying gas reserves uncertainties and upstream facility risks, rather than the terms of the GSAs themselves. Further, we do not understand how the priority of supply between Producer A and Customer B & C, all of whom are non-market participants, can be of any relevance to the EA. We would suggest that if the goal is to understand the risks around thermal generators receiving their stated contracted volumes, then those questions should be focused specifically on those contracts.

Burden and implications of providing non-market participant information

- A key objection to the proposed expansion of the EA's powers would be the requirement to disclose confidential commercial information between private entities. Along with other regulatory interventions within the wider energy industry in recent years, this further adds to what has been an overall increase in New Zealand sovereign risk. Specifically in this case, the proposed intervention begs the question as to what the EA might subsequently propose doing with the information once gained, given that we do not see it having meaningful value as information alone for the reasons explained above. For example, given the overall goal within the Consultation Document is to improve wholesale market competition (rather than addressing security of supply per se), would the EA subsequently propose providing the information to market participants, or have some other subsequent proposals. Such unknowns can undermine investor confidence
- If the EA wants to understand contract volumes and allocation to customers under various scenarios, then for many GSAs this may require ongoing disclosure of seller/buyer contractual notices, forecasts, and various other assessments which would imply the EA "shadow-modelling" the interactions between various non-market participant buyers and sellers (or asking sellers or buyers to model various scenarios for the EA and provide conclusions). The cost of compliance on businesses could be material.
- Further, most of these businesses would be non-market participants. As thermal electricity generation transitions to lower and lower proportions over time, the vast majority of GSA information the EA would be seeking access to would not relate to the electricity market, and if the government's aspired 100% renewable target were to be met, there could be no gas contracts to thermal generators at all, yet the EA's proposed powers would apply in full to the entirety of the gas sector.
- The proposal to amend the EA's powers also blurs the regulatory responsibility for gas, which currently sits with the Gas Industry Company. As noted above, if the focus is understanding pro-rating in reduced supply, then it is likely that considerable information would need to be sought, and/or analysis, which implies the EA undertaking considerable gas-related governance activities.

In summary, OMV does not support the proposed increase to the EA's information gathering powers into the gas sector. We do not believe the problem statement to have been sufficiently articulated and compared against potentially considerable compliance costs across a set of businesses that are not electricity market participants, also blurring the lines over regulatory responsibility for gas and raising further sovereign risk concerns. Fundamentally we do not see the real benefit in the EA having access to private contract information between two non-market participants, as the information would be



tangential at best and we are concerned the information would raise more questions than it answers, potentially leading to further requests and compliance costs.

Thank you for the opportunity to provide feedback on this consultation.

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'Paul Eckford', written in a cursive style.

Paul Eckford

