



GREYMOUTH PETROLEUM

1 September 2020

Submissions
Electricity Authority
PO Box 10041
Wellington 6143

By email: WMID@ea.govt.nz

Dear Sir/Madam,

RE: Review of Thermal Fuel Information Disclosure - Consultation Paper

Greymouth Petroleum (**Greymouth**) is a New Zealand (**NZ**) owned and operated petroleum production group headquartered in Auckland, with operations in the Taranaki. Greymouth is active throughout the upstream value chain, most notably in the development, production, and marketing of hydrocarbons. Greymouth ranks second amongst NZ owned petroleum production companies when measured in barrels of oil equivalent produced per day (today supplying circa 15% of NZ daily gas production) and on a remaining reserves basis (holding circa 20% of NZ gas reserves measured on a 2P basis).

Greymouth welcomes the opportunity to provide this written submission on the Review of Thermal Fuel Information Disclosure Consultation Paper (**Info Review Paper**) published by the Electricity Authority on 21 July 2020.

Greymouth supports initiatives designed to ensure markets operate effectively, efficiently and fairly, with increased wholesale market information disclosure being an example. Greymouth also considers that wider industry policy settings are an equally important investment signal to market pricing, and will be needed to alleviate the dry year risk issue which is the genesis for the Info Review Paper.

Greymouth's submission addresses the scope of thermal fuel information potentially sought as part of enhanced wholesale market information disclosure. Specifically, Greymouth does not support the extension of thermal fuel information to include the key terms of a gas sales agreement (**GSA**) between wholesale market participants and gas producers. Rationale as follows:

- **Competitive disadvantage:** Market disclosure of certain key terms of a GSA, particularly price, can place both the wholesale consumer and the gas producer in a less favourable position in contrast with competitors. For example, access to this information by a hydro electricity generator could place such party in a preferential position to meet marginal electricity supply ahead of a gas fired peaking plant – such hydro electricity generator would have asymmetric information given their knowledge of the value of water storage – arguably an “even playing field” would require the gas consumer and producer to understand the hydro generator’s commercially sensitive information. This market distortion is far reaching in its consequences
- **Bespoke arrangements:** Unlike the wholesale electricity market where price represents a homogenous product (MWh), the gas price negotiated in a GSA is a function of unique parameters which limit comparison between wholesale market participants. In addition, the GSA may be provided for the entire downstream portfolio of the wholesale market participant and can not be directly ascribed to electricity generation purposes

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- **Cost benefit analysis:** Comprehensive analysis should be completed to identify if the likely benefits of disclosure of GSA key terms outweighs the possible costs. This has not yet been demonstrated
- **Relevance:** Clause 13.2A of the Electricity Industry Participation Code requires participants to disclose information about themselves if that information is expected to "have a material impact on prices" in the wholesale electricity market. Greymouth believes that the key inputs of (1) volume, rates and reliability of gas supply dedicated for electricity generation, and (2) level and availability of gas demand from electricity generation, are the more meaningful influencers on wholesale electricity price rather than the absolute price of gas supply for electricity generation. The Gas Industry Company sponsored Upstream Gas Outage Information Disclosure Code voluntarily introduced in 2020 now provides forward looking information on the gas sector that is relevant to point (1) above
- **International comparability:** Greymouth seeks consistency of treatment with information disclosure in Australian electricity markets. The relevant national electricity rules focus on collection, and thereby disclosure, of information relating to plant availability, energy constraints and other asset conditions that could impact security and reliability of supply and load forecasts. This does not include GSA price disclosure

Greymouth is available to meet to discuss this letter.

Yours sincerely



Andrew McGavin

Business Development Manager