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Submitted via the GIC website

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OMV Upstream

Submission on Information Disclosure Problem Assessment – Cross-Submission Issues

OMV New Zealand Limited welcomes the opportunity to make a submission on the *Information Disclosure Problem Assessment – Cross-Submission Issues* consultation document.

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PEPANZ and OMV

As a member of PEPANZ, we support the PEPANZ submission in general and it is not our intention to repeat that submission in this letter. Rather, this letter serves to highlight a few key points from OMV's perspective.

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Q1: Contract price and volume information

No adequate problem statement

OMV maintains that there is no problem that has been identified that would justify a mandatory disclosure of price and volume contract details.

In response to the challenge within the Cross-submissions issues report, we do not agree that it is difficult for market participants to have insight into wholesale gas market conditions.

The emsTradepoint market provides useful insight in to short term wholesale gas prices. In addition, OMV routinely responds to Request for Proposals (RFP) and enquiries for gas from wholesale gas buyers with pricing and volume indications. While the majority of such enquires fail to result in a sale, these enquiries are a necessary part of the price discovery process for buyers and sellers alike.

We assume that other gas suppliers also respond proactively to enquiries for gas. Certainly, there has been little in the submissions to date that suggests that producers are not responding to customer requests for proposals or offers.

Rather it seems that the assertion that gas pricing is difficult to obtain relates to some market participants (or entities that are not market participants) not being able to obtain pricing information by an internet search. If this is the case, we do not see that this is "*difficult for market participants to have insight in to wholesale gas market conditions*".

Price and Volume information is of little use in isolation

Except when traded on the emsTradepoint market, “gas” is not a standardised product. This means price and volume information provides little insight in to market conditions as price and volume are not sufficient to properly describe the product being sold. Our experience is that pricing can be heavily influenced by non-price terms such that the price alone can have little meaning or use to those seeking to be informed by it. We note that independent experts in price arbitration environments have made similar observations.

A sampling of factors that influence gas pricing are:

- The extent to which the Buyer must take or has an option to take gas (e.g. on a day or in a year).
- The liabilities that the Buyer and Seller are exposed to for not delivering or taking the contracted gas.
- The extent to which an arrangement underpins future demand or supply
- Contractual links to other arrangements
- Short term considerations, such as the speed with which the counter-party can execute.

In addition disclosing prices would have a host of technical issues that would be complicated and of little value to sort through. For example: how to disclose the forward price for a price that is indexed to a commodity, how to disclose a time-swap, how to disclose prices tied to contractual volumes contingent in nature, or how to disclose prices entered into on an anonymous market.

emsTradepoint already allows for wholesale gas price discovery.

We note that emsTradepoint is increasingly liquid and does allow price discovery for standardised gas products.

While we acknowledge that the emsTradepoint market still represents a relatively small proportion of the overall market, it is a good indication of short term gas price for a product that is well defined and public. Increasingly emsTradepoint trades also provide an indication of forward pricing, and we would strongly argue provide a better reflection of forward pricing than a bilateral contract containing bespoke non-price terms and potentially agreed a numbers of years in the past.

If gas market participants want the emsTradepoint price to be more meaningful, we encourage them to support the spot market by increasing its use, thereby increasing liquidity.

Q2: Forecasts of major users' gas consumption

While OMV might like to see consumption profiles for all major users, we see no actual problem that would warrant a requirement for them to disclose this information.

Q3: Major gas user facility outages

OMV is concerned about the possible impact on the international competitiveness of major consumers if those consumers would be required to disclose outages.

Any move that makes the NZ gas industry less competitive and attractive to investment or continued operation of plant would need to be very carefully weighed against any market benefits associated with additional disclosure requirements. Any deterioration in the international competitiveness of major gas users could result in loss of gas demand, with a corresponding loss in upstream investment. This would in turn negatively impact the robustness and depth of the NZ gas market as well as potentially lead to carbon leakage.

Yours sincerely

A handwritten signature in black ink, appearing to read 'PT', with a large loop at the end.

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