

Gas Industry Company
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11 March 2020

Cross Submission – Information Disclosure: Problem Assessment

Mercury welcomes the opportunity to cross-submit to Gas Industry Co on the consultation paper 'Information Disclosure: Problem Assessment' and the subsequent independent review of Methanex's outages and the wholesale market.

Contract price and volume information

As we noted in our original submission, a core assumption of market efficiency is perfectly available information. In the absence of perfect information, as is the case with New Zealand's gas market, it is likely a market will not operate as efficiently as it could. In the electricity market, anonymous hedge disclosures can be viewed publicly and they include information about price, volume, location and date. For the promotion of market efficiency, we see no reason the same information cannot be published for the gas market and submit this should be the default arrangement unless very good reasons preclude it.

Forecasts of major users' gas consumption

Mercury's experience suggests even small variations in Methanex's standard operations filter through as more/less gas available for electricity generation. Our default position is that more information can only make current and ancillary market arrangements better. We reiterate our support for, as a minimum, timelier forecast information being published by MBIE. We also support the suggestion in the independent review of requiring producers and users to disclose information prior to material volume releases becoming available for trade through emsTradePoint.

Major gas user facility outages

Mercury's views on outages are unchanged from our original submission. We note the voluntary outages posted on the GIC's website but suggest the optimal outcome is for a coordinated outage process, like the POCP in electricity.

With respect to the independent review we note gas in New Zealand is a domestic only market so there is no competitive advantage lost in a domestic sense for disclosing outage information. Methanol is dynamically priced around the world as are gas prices in many of Methanex's international locations. We do not think there is anything particularly unique about Methanex's situation that warrants not disclosing as much information as possible, especially if it was anonymised. We also note the independent report appears to use information asymmetry as a key reason to demonstrate potential harm to Methanex in its global operations¹. This is precisely the argument New Zealand gas users are making with respect to better gas information in New Zealand.

If you have any questions on this submission, please contact me at john.bright@mercury.co.nz.

Yours sincerely,

A handwritten signature in black ink, appearing to read "John Bright".

John Bright
Regulatory Strategist

¹ Page 13(2)(b) of independent report