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Gas Industry Company
Level 8, The Todd Building
95 Customhouse Quay
Wellington, 6143

OMV Upstream

Submission on Statement of Proposal for amending the Critical Contingency Management Regulations

OMV New Zealand Limited (OMV) welcomes the opportunity to make a submission on the *Statement of Proposal for amending the Critical Contingency Management Regulations ('the regulations')*.

OMV operated ventures currently produce around 50% of total New Zealand gas production via the Maui and Pohokura gas-condensate fields. OMV itself produces more than 40% of the total New Zealand natural gas production and a significant proportion of total New Zealand condensate production. The company directly employs some 350 staff.

As an upstream oil and gas company our comments on the proposed changes to the regulations are from the perspective of an "asset owner" as referred to in the regulations.

In determining the price received for gas in the event of a Critical Contingency Event, we consider (consistent with the Covec report quoted on page 19 of the consultation document) that it is important that the pricing mechanism be both 1) broadly predictable; and 2) result in a price that is higher than what the market price would be in the absence of a Critical Contingency Event.

We acknowledge that, with the anticipated declining role of electricity generators in the New Zealand gas market, there may come a point in the future when reference to the electricity markets for determining the Critical Contingency Price under the regulations may no longer be appropriate. In this sense we understand the move to allow more flexibility in how the Critical Contingency Price is calculated (i.e. by removing the mandatory reference to the electricity market in 71(3)(a) of the regulations).

We also support the proposed introduction of a floor price to ensure that the Critical Contingency Price remains broadly predictable. However, we do not think that a pricing mechanism for the floor price that refers to recent historic pricing prior to a Critical Contingency Event is consistent with the objective of having a price that reflects the scarcity of gas during the Critical Contingency Event. Almost by definition, the minimum pricing during the event must be some margin above the pricing immediately prior to the event.

We are also supportive of the proposals in the consultation document that improve the efficiency of the industry (e.g. having an authoritative source for contact details, reducing the risk of a Critical Contingency when a pipeline is not in danger and including the GIC notifications website in the definition of "publish"). To avoid duplication and aligned with the drive for efficiency, the requirement for asset owners to provide information on actual and expected outages to the Critical

Patrick Teagle

Head of Commercial & Legal

Tel. +64 4 910 2500

Patrick.Teagle@omv.com

OMV New Zealand Ltd
Level 20
The Majestic Centre
100 Willis Street
Wellington, New Zealand

Registered Office:
Level 20
The Majestic Centre
100 Willis Street
Wellington, New Zealand

www.omv.com



Contingency Operator should be made consistent with the existing requirements of the Upstream Gas Outage Information Disclosure Code 2020.

We would be happy to meet and expand on these points in further detail from the perspective of an asset owner.

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'PT', written over the printed name.

Patrick Teagle
Head of Commercial and Legal, OMV New Zealand

Questions

Title of Report

Submission prepared by: OMV New Zealand, Patrick Teagle

Question	Comment
<p>Q1: Do you agree with our view that, in relation to the proposed amendments, there are no other reasonably practicable options for achieving the regulatory objective other than an amendment to the CCM Regulations? If not, why not?</p>	<p>Yes, the CCM regulations already exist and modifying the existing framework is efficient.</p>
<p>Q2: Do you agree with rewording regulation 71 to remove 71(3)(a) as described above?</p>	<p>Yes, provided a suitable minimum floor price is implemented (see Q3).</p>
<p>Q3: Do you agree with adding a floor price to the calculation of the contingency price?</p> <p>Do you agree with the proposed calculation method, using VWAP for the 7 days prior to and including the critical contingency day?</p>	<p>Yes, a floor price would reduce the pricing uncertainty during a critical contingency event.</p> <p>However, an average of the pricing in the (7) days immediately prior to an event would not price the gas that is available during an event consistent with "an efficient short-term market that allocated scarce gas resources to the highest value uses" and therefore would not be a suitable floor price.</p> <p>Alternatively, a floor price could be derived using known periods of gas scarcity (either using previous critical contingency events and/or emsTradepoint data). This floor price could be expressed as a premium for gas that is available during an event above the 7 day volume-weighted emsTradepoint average price and could be calculated conservatively such that it acted as an effective minimum.</p>
<p>Q4: Are there other pricing benchmarks that should be used in setting the critical contingency price?</p>	<p>Depending on liquidity and activity it may be the case that the emsTradepoint market is appropriate for setting the critical contingency price.</p>

	The currently regulations do not prevent the expert from considering emsTradepoint data under 71(3)(b)(iii) the expert may consider "any other matters that the industry expert considers relevant to achieving subclause (2)"
Q5: Do you agree with replacing the criminal penalties with civil pecuniary penalties for non-industry participants as described above? If not, why not?	No comment.
Q6: Do you agree that the distinction between large consumers that have alternative fuel capability and those that do not should be removed from the curtailment bands? Why or why not?	No comment.
Q7: Do you agree with reserving band 2 for large consumers who are electricity generators who export electricity to the grid? If not, what alternative way would you suggest for defining bands 1 and 2?	No comment.
Q8: Do you agree that the lower threshold of the curtailment band for the largest consumers should be changed to yearly consumption? Why or why not?	No comment.
Q9: Do you agree with the proposed 4,000 TJ per year threshold? Is there a different threshold you consider would work better?	No comment.
Q10: Do you agree with an annual threshold and a daily consumption threshold for a curtailment band of gas thermal generation plant?	No comment.

Q11:	Do you agree with the proposal to create curtailment band 3A as described above? Do you agree with an annual consumption threshold of 300 TJ? Why or why not?	No comment.
Q12:	Do you have any other comments about the proposed changes to the curtailment bands?	No comment.
Q13:	Do you agree that guidance is required on assigning consumers to curtailment bands? Do you agree with the concept of an average over the previous three years for the annual threshold volumes?	No comment.
Q14:	Do you agree with using three years to determine whether thermal generators use at least 15 TJ per day from time to time?	No comment.
Q15:	Do you agree with amending the definition of "consumer installation" to include a gas installation with multiple points of connection to a distribution system or transmission system? Why or why not?	No comment.
Q16:	Do you agree that gas wholesalers should be responsible for issuing critical contingency notices to their retailers and for receiving and forwarding compliance updates to the transmission system owner? If not, can you suggest an alternative way to ensure that non-shipper retailers and their consumers receive critical contingency directions and	No comment.

	provide compliance updates?	
Q17:	Do you agree with this assessment and proposals? Why or why not?	No comment.
Q18:	Do you agree with the changes to the curtailment order as outlined in Table 4? Why or why not?	No comment.
Q19:	Do you agree with the proposed changes regarding information provided to the CCO? Why or why not?	<p>In its current form regulation 38A is functional as the CCO will specify and request what information is required.</p> <p>If the regulations are to be changed so that the onus is on the asset owner to provide information the details of what kind of outages require disclosure would need to be more clearly articulated (e.g. partial or full outages and if partial outages are included what materiality threshold applies for disclosure?). The most efficient way of implementing rules on what must be disclosed would be to reference the criteria already established in the Upstream Gas Outage Information Disclosure Code 2020.</p> <p>The requirement should be to either inform the CCO or publish the outage information (provided that the definition of "publish" is amended to include information on the Industry Notifications page of the GIC website, see question 36 below).</p> <p>The obligation for Asset Outages to be published or communicated to the CCO need not preclude the CCO from requesting additional information as required.</p>
Q20:	With respect to CCMPs, do you agree with the proposed changes to contact detail requirements as outlined above?	Yes, it makes sense to have contact details kept in one place.
Q21:	Do you agree with the proposed CCMP amendment procedures outlined above? Why or why not?	No comment.
Q22:	Do you agree with allowing a go-live date for a proposed amended CCMP?	No comment.

Q23:	Do you agree with deleting the requirement in r74 that refers to the DR Rules? If not, why not?	No comment.
Q24:	Do you agree with the proposal for retailers to provide their retailer curtailment plans to the industry body on an annual basis? Why or why not? Would 1 March be an appropriate submission deadline?	No comment.
Q25:	Do you agree that incorporating retailer curtailment plans into the annual exercise would be an effective way to ensure their effectiveness and currency? If not, why not?	No comment.
Q26:	Do you have other suggestions for ways to improve retailer curtailment plans?	No comment.
Q27:	Do you agree that retailers should be required to participate in annual test exercises? If not, why not?	No comment.
Q28	Do you agree that the scope of the communications plan should include communications that occur in monitoring the system prior to a critical contingency and in declaring a critical contingency?	No comment.
Q29	Do you agree with the proposed changes for critical care and essential services designations? Why or why not?	No comment.
Q30	Do you agree with the proposed changes to the critical contingency	No comment.

	threshold limits detailed in Schedule 1? Why or why not?	
Q31	Do you agree with this amendment to the definition of retailer?	No comment.
Q32	Do you agree with the proposal to amend regulation 48 to allow for short-term transient breaches of a pressure threshold?	Yes, it appears to be a pragmatic change that reduces the probability of inappropriate critical contingency events.
Q33	Do you agree with the proposal to allow for planned outages not triggering a critical contingency?	Yes, it appears to be a pragmatic change that reduces the probability of inappropriate critical contingency events.
Q34	Do you agree with the proposal to amend regulation 54A to include unexpected interruptions to asset operation? Do you have alternate suggestions for how the obligation should be worded?	Yes, to the extent that a reference to "failures" has caused confusion, it is useful to change the nomenclature to "unexpected interruptions". No.
Q35	Do you agree that retailers and large consumers should be required to use the specified compliance reporting template?	No comment.
Q36	Do you agree with this proposal?	Yes, posting information in the GIC Industry Notifications page should be included in the definition of publish.
Q37	Do you agree with these proposed amendments? Why or why not?	Yes, it is useful to specify the timing by which the performance report will be completed.
Q38	Do you agree with these update amendments? Are there any that you feel are not warranted or should be changed? Are there other updates that should be included?	No comment.
Q39	Do you agree with the proposed minor amendments? Are there	No comment.

any you feel should be
added or amended?