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OMV Upstream

Submission on Extending the Electricity Price Review's Final Recommendations to the Gas Market - An Assessment

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OMV New Zealand Limited welcomes the opportunity to make a submission on the GIC consultation document *Extending the Electricity Price Review's Final Recommendations to the Gas Market - An Assessment*.

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As an upstream gas producer with no direct exposure to the retail gas market OMV has limited experience to contribute to the questions of how to best strengthen the consumer voice (Q1), reduce energy hardship (Q2) and how to increase retail competition (Q3). However, we have reviewed the GIC's recommended positions in relation to these initiatives and view them as sensible.

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We support the GIC's view that the principle work that needs to be done to reinforce wholesale market competition (Q4) is to see the existing information disclosure workstream through to completion. The other proposed interventions (e.g. mandatory market making) are disruptive and do not appear to solve an existing problem in the gas market.

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The interventions that are intended to improve transmission and distribution (Q5) and the regulatory system (Q6) appear to target specific issues in the electricity industry that are not obviously (yet) relevant to gas industry.

OMV sees gas an important transition fuel that can make a useful contribution to New Zealand's Low-Carbon future and OMV is supportive of the GIC's efforts to seek appropriate involvement in the government initiatives to prepare for a low-carbon future (Q7).

We have provided detailed responses attached to this letter in the format requested.

Yours sincerely

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Submission prepared by: OMV NZ Limited, Dylan Reid

Question	Comment
<p>Q1 Do you support the role of the CAC being extended to Gas markets for the benefit of residential and small business Gas consumers? If so, when should it occur? What measures should GIC be taking to better engage with of residential and small business Gas consumers?</p>	<p>OMV does not supply gas or LPG to residential or small businesses customers so does not have a deep experience to share in relation to these recommendations, but we view the GIC's "in principle" support as sensible.</p>
<p>Q2 Do you support the extension of the energy hardship initiatives in B1-B6 and B8 to include Gas (please address each separately)? Do you support the extension of the electricity market arrangements on PPDs to Gas?</p>	<p>OMV does not supply gas or LPG to residential or small businesses customers so does not have a deep experience to share in relation to the recommendations to reduce energy hardship (items B1-B6 and B8) or PPDs. However, in principle OMV supports the GIC position on these initiatives to reduce energy hardship.</p>
<p>Q3 Do you support the extension of PowerSwitch to include LPG (reticulation and bottles)? Do you support GIC's views on the initiatives in C1-C6 (please address each separately)?</p>	<p>OMV does not supply gas or LPG to residential or small businesses customers so does not have a deep experience to share in relation to the recommendations to increase retail competition. However, in principle OMV supports the GIC position on initiatives to increase retail gas competition (items C1-C6).</p>
<p>Q4 Do you support GIC's views in respect of the initiatives in D1 to D4 (please address each separately)?</p>	<p>D1 Improve Availability of wholesale electricity & gas market information:</p> <p>OMV supports the continuation of the GIC's Information Disclosure workstream.</p> <p>OMV also supports the proposed changes to the Gas Act that would give the GIC the ability to regulate disclosure if an industry led solution cannot be achieved.</p> <p>However, the upstream gas industry's growing track record for responsible disclosure practices, means that there seems to be little justification for the cost and time required to</p>

	<p>codify disclosure practices in regulation. A relevant example is the industry's well-received outage disclosure code which quickly and efficiently established consistent outage disclosure practices across all the upstream gas producers.</p> <p>If any further disclosure requirements are identified in the future (we are not aware of a systemic need for any) then it is plausible that an industry-led solution could again be achieved.</p> <p>D2: Introduce mandatory market-making obligations: OMV agrees with GIC's assessment that there is no problem statement that would justify the introduction of mandatory market making in the New Zealand gas market. The gas market is not sufficiently analogous with the electricity market to import the electricity market problem statement relating to the ability of non-generating retailers to access efficiently priced product.</p> <p>D3: Make generator – Retailers release information about the profitability of their retailing activities: OMV agrees there is an insufficient problem statement for this recommendation to be implemented.</p> <p>We not are aware of gas retailers failing to access competitively priced gas to service their retail load.</p> <p>D4: Monitor contract prices and generation costs more closely: OMV agrees that there is insufficient problem definition for this recommendation to be implemented.</p> <p>Given the costs, exploration and development risks, co-product pricing risk (e.g. oil, LPG) and the need for continued investment in mature upstream fields we do not see that an appropriate level return could be derived for upstream production.</p>
<p>Q5 Do you support GIC's initial view to not extend the initiatives in</p>	<p>E1 Issue a government policy statement on transmission pricing:</p>

<p>E1-E4 to include Gas (please address each separately)?</p>	<p>Gas transmission pricing does not appear to be as contentious an issue as the Transmission Pricing Methodology is in the electricity industry. The absence of a problem definition means that this recommendation should not be applied to Gas Transmission.</p> <p>E2: Issue a government policy statement on distribution pricing: OMV agrees there is insufficient evidence of a problem for this recommendation to be extended to the gas market.</p> <p>E3 Ensure distributors have access to smart meter data on reasonable terms: OMV agrees that this recommendation is not (yet) applicable to the gas industry.</p> <p>E4: Give the Commerce Commission more powers to regulate distributors: OMV is undecided about the extension of this recommendation to the gas industry – similar to the GIC.</p>
<p>Q6 Do you support GIC's initial view to not extend the initiatives in F1-F4 to include Gas (please address each separately)?</p>	<p>F1 Give the EA more powers to regulate network access: OMV agrees with the GIC's assessment that there currently seems to be limited potential for gas distributors to enter in to the gas equivalent of "distributed energy serveries". However, technology can change quickly and OMV supports the suggestion that the GIC maintain a watching brief.</p> <p>We also note that in addition to the potential to use gas pipelines to transport hydrogen there may also be potential for "overspilling" of regulated monopoly participant activity in to the unregulated competitive gas storage market.</p> <p>F2 Give the EA an explicit consumer protection function: OMV supports the GIC's assessment that fairness for consumers is already covered in the GPS.</p> <p>With reference to Table 1 in the body of the consultation report, we note Gas Act Criteria 2,</p>

	<p>3 and 5 and GPS Criteria 9, 10 and 11 all indirectly contribute to consumer fairness (not just GPS criterion 13).</p> <p>F3 Update the EAs compliance framework and strengthen its information-gathering powers: OMV is unaware of any compliance issues or need to strengthen information gathering powers.</p> <p>F4 Phase out low fixed charge tariff regulations: OMV supports GIC recommendation not to extend this recommendation on the basis that no low fixed charge tariff exist in the gas markets.</p>
<p>Q7 Do you support the extension of the initiatives in G1-G4 to include Gas (please address each separately)?</p>	<p>G1 Encourage more energy sector innovation: OMV supports the GIC's recommendation that Gas be included in any government initiatives related to spurring energy sector innovation.</p> <p>To date it appears that technologies that facilitate gas's role in the energy transition have received little attention. For example carbon capture technologies have the potential to increase gas's ability to contribute to the energy transition.</p> <p>OMV supports the GIC's efforts to ensure its appropriate involvement in these MBIE-led initiatives.</p> <p>G2 Examine security and resilience of electricity supply: OMV supports the inclusion of gas in the evaluation of the how potential technological advances may impact the long-term security and resilience of the country's electricity supply.</p> <p>We support the GIC's efforts to ensure its appropriate involvement in this EA-led initiative.</p> <p>G3 Explore new institutional arrangements for energy policy regulation: OMV supports the GIC's efforts to ensure its appropriate involvement in these MBIE-led initiatives.</p>

G4 Improve the energy efficiency of new and existing buildings:

OMV support's the GIC position in support improved energy efficiency in existing buildings.