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By email: gasconsultation@mbie.govt.nz
Ministry of Business, Innovation and Employment

Improving the transparency of the gas market – proposals paper

Meridian welcomes the opportunity to comment on the release of the above-named proposals paper on the topic of gas market information.

Information disclosure is critical to efficient and well-functioning markets. Information about gas has a significant impact on the electricity market as well as wider energy markets and the New Zealand economy. Markets currently have access to extensive information regarding some of the fuels used for electricity generation, particularly water in storage lakes that is widely reported and modelled. The currently limited access to gas market information causes information asymmetry which can lead to:

- less ability for uninformed participants to manage risks;
- less informed decision making by market participants and consumers;
- transfers of wealth from uninformed to informed market participants when they trade with each other; and
- generally, less efficient market outcomes, which harms consumers in the long term.

Access to more gas information will enable parties to better manage risk, which will benefit consumers in the long-term through more efficient decision-making and prices.

In Meridian's opinion, it is essential that the government improves the availability of gas information and doing so will result in positive economic impacts for New Zealand.

This submission will cover three key points:

- Meridian supports MBIE's proposals, and in particular, the collection of contracted gas information from sellers. For electricity market benefits to be realised, gas volumes contracted by each generator should be disclosed. Publishing aggregated contracted gas information (as the Electricity Authority currently does) is of very limited use to electricity market participants that need to understand which generators have fuel, how much, and when to enable efficient offering and dispatch of other generation resources and risk management decisions. Information about supply



constraints or ability to suspend supply contracts under given circumstances will also benefit the electricity market.

- Large users of gas should be subject to a stress testing regime, similar to that which applies to large users of electricity.
- MBIE should specify outputs it will produce once it has collected this information. Meridian recommends that MBIE produce (or require GIC to produce) frequent and high-quality information on the supply and demand outlook for the gas market.

Meridian supports MBIE's proposals, but would like to see more information published, especially for contracted gas information

Meridian supports the proposals. However, we would like to see more of the information made public. In particular, the information on the amounts of gas that electricity generators have contracted for generation going forward should be made publicly available. It should be provided to the market, broken down by generator and not aggregated. This should also include information on any contractual constraints such as suspension rights for sellers.

This information would provide a robust view of what gas is physically available for electricity generation in New Zealand and will enable participants to understand the flow on impacts for the electricity market. There has been a significant decline in gas availability dating back to 2018. The electricity market needs to adjust. More and better information will assist with this. Our view is that making this information available to the market will lead to more efficient offering of other generation resources, more efficient risk management decisions, and reduced volatility, and therefore long-term benefits to consumers.

Meridian would also like to see better integration of gas market information with electricity market data, including the Electricity Authority's data and insights hub. This hub is maintained by the Electricity Authority and includes data and analytical tools to help decision making by the electricity industry. It would increase accessibility if the Authority were to include gas market information under its platform to help with system-wide planning, support more efficient offering and dispatch, and strengthen security of supply monitoring. We note that the Frontier report recommended that gas market information be published in a single gas market dashboard maintained by the GIC. While this may be helpful, we think that there are benefits to also integrating gas market information into tools that are frequently used by electricity market participants.

Large industrial users should also be included within the scope of these proposals

A small number of industrial users drive a large share of demand. New Zealand's gas market is highly concentrated, with a small number of industrial users accounting for the majority of total gas consumption. Methanex alone consumes around 45% of New Zealand's gas annually for methanol production. Another 30% of gas is used to make electricity.¹

¹ <https://www.ea.govt.nz/news/eye-on-electricity/the-new-zealand-gas/market/>



This concentration means that decisions by a small group of users can have outsized impacts on wider markets. The impacts can include shifting market prices, affecting supply availability for other users, and impacting investment signals. The impacts also extend to the electricity sector.

The current proposals rely on producers and sellers to disclose demand-side data. While this may be efficient, MBIE could also consider asking large industrial consumers of gas to verify information provided by producers and sellers.

Stress testing should also be applied to large industrial users of gas

Meridian also recommends a stress testing regime for large gas users, similar to that used in the electricity market, to assess resilience under stressed gas market conditions.

Stress testing for large users of electricity involves modelling scenarios such as energy shortage events (sustained high spot prices) and unexpected shortfall in generation capacity during a time of relatively high demand.² There are good reasons for applying this discipline to large users of gas:

- **They are systemically important:** a small number of large industrial users consume the majority of New Zealand's gas. Their operational decisions can dramatically affect market dynamics.
- **Resilience planning:** stress testing would help MBIE and the wider market understand how these users would respond to market shocks, whether they have contingency plans, and what risks might eventuate under stress scenarios.
- **Improving cross-sector coordination:** stress testing large users would support coordination between the gas and electricity sectors and could help gas users identify opportunities for changes in gas use to support higher value uses at times of stress.

MBIE should also use the data it will collect under these proposals to produce valuable insights for industry, such as more regular gas supply and demand studies

Meridian supports MBIE's proposals to collect more comprehensive and timely gas market data. In addition, MBIE should commit to, or require the production of high-quality analytical outputs that help market participants to make informed decisions. Our view is that MBIE should use the data that it will collect to produce timely and forward-looking assessments of gas supply and demand, market risks and system resilience. One way of doing this would be to increase the frequency of the gas supply and demand studies published by the GIC while also expanding the scope to account for a broader publicly available data set.³ This would provide a view of supply adequacy under different scenarios, and insights into risks from outages,

² <https://www.ea.govt.nz/industry/wholesale/spot-market/stress-tests/>

³ <https://www.gasindustry.co.nz/our-work/work-programmes/supply-and-demand-2024/#previous-studies>



demand increases, or field declines. It would provide a basis for more efficient decisions across the gas and electricity sectors.

We note that the Frontier report recommended that the GIC supply and demand studies become a regulatory requirement. Meridian supports this but also considers there to be an opportunity to update the scope and frequency of the report. Meridian's view is that such analysis should be prepared on a quarterly basis or in response to significant market stress events. MBIE could consider expanding the scope to make use of the expanded information disclosed under its proposal. We think that the report would also benefit from more information on the high-level economic assumptions, including how they are updated in response to market changes, and how sensitive forecasts might be to key variables.

Concluding remarks

This submission is not confidential and can be released in full. I can be contacted to discuss any of the points made.

Nāku noa, nā

Evealyn Whittington
Senior Regulatory Specialist



Consultation questions

Question	Meridian comment
1 Do you agree with the issues outlined above? Please explain why or why not.	Yes. Meridian agrees that the current lack of timely and detailed gas market information creates uncertainty, contributes to price volatility, and undermines planning across the energy sector.
2 Is a lack of information or out-of-date information impacting your ability to make informed decisions about gas use? Please provide examples.	Yes. The electricity sector often lacks visibility into real-time gas availability, outages, and contract positions. This affects the efficiency of offers and dispatch as well as risk management decisions, especially during dry years or peak demand periods.
3 Do you agree with the objectives we have proposed for these changes? Please explain why or why not.	Yes. Meridian supports the objectives but recommends they be applied more broadly. The focus should be on identifying what information the market needs.
4 Do you agree that the information we propose to request will help improve gas market transparency? If not, why not?	Yes. Meridian supports the proposals and believes they will improve transparency.
5 Is there any other information we should request that would help improve gas market transparency?	Meridian supports the proposed information to be collected from producers.
6 If your organisation would use the information above, are there any proposals that would be of particular value to your organisation? If so, which ones and why? For instance, would contextual information about reserves and forecasts be useful?	Meridian would value availability of all of the information as it would enable more efficient offering of our generation (including valuation of water stored in hydro reservoirs) and risk management decisions.
8 Do you agree with our decisions on which information to publish and which not to publish? If not, which information should we, or should we not, publish?	Meridian recommends publishing more of the proposed data, including contracted volumes by electricity generator and information about the supplier's ability to suspend gas supply.
10 What are the risks (if any) if we publish the additional information from gas producers?	Meridian considers the benefits of transparency outweigh the risks.
12 Do you agree that the information we propose to request will help improve	Yes. Meridian supports the proposals and believes they will



- gas market transparency? If not, why not?
- 13 Is there any other information we should request that would help improve gas market transparency?
- 14 If your organisation would use the information above, are there any proposals that would be of particular value to your organisation? Why is that?
- 15 Do you agree with our proposal to not request contract information for stored gas?
- 16 Do you agree with our proposal to publish all of the requested information? If not, which information should we not publish?
- 18 What are the risks (if any) if we publish the additional information from the wider gas sector?
- improve transparency, especially if more of the data is made public.
- Yes. Meridian recommends requesting stress testing information from large gas users.
- Yes. All of the information would be of value but particularly information on contracted volumes (including by generator) to enable more efficient offering of other generation (including valuation of water stored in hydro reservoirs) and risk management decisions by electricity market participants.
- This seems reasonable given the existing information collected and published on stored gas. However, this highlights the potential benefits of a single repository of gas market information rather than information collected and reported by various parties in different locations.
- Meridian supports publishing all requested information.
- Meridian's view is that the benefits of publishing gas market information would outweigh the risks.