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Ministry of Business, Innovation and Employment

By email: gasconsultation@mbie.govt.nz

Regulatory proposals for improving gas market transparency

Meridian appreciates the opportunity to provide feedback in response to the Government's discussion paper on regulatory proposals for improving gas market transparency.

The current lack of information disclosure about gas contracted for electricity generation contributes to inefficient price formation and risk management decisions in the electricity market where gas availability and prices are a major determinant of electricity prices. Meridian therefore welcomes the Government's objective of improving gas market transparency.

Meridian broadly supports the proposed transparency improvements regarding publication of gas field maturity sub-class information and private pipeline information. However, the proposal fails to address one of the primary causes of inefficient price formation during winter 2024. Winter 2024 demonstrated that market participants cannot rely on assumptions about gas availability. Material changes in gas supply arrangements occurred without transparent disclosure, contributing to uncertainty, elevated financial risks, and inefficient market outcomes. Collecting contract information but withholding generator-specific disclosures will leave the underlying transparency problem largely unchanged.

Since 2018, the New Zealand electricity market has experienced a structural shift in wholesale prices. This is not caused by any deficiency in physical generation or security of supply, nor is it attributable to dry year risk. Rather the challenge has been the higher cost

to maintain security of supply in the face of a structural decline in gas availability. Independent analysis has demonstrated the high correlation between gas and electricity prices.¹

Without access to contracted gas information there is information asymmetry between electricity market participants that hold gas information and those that do not, the likely results being:

- a competitive advantage for electricity market participants with gas contract information;
- transfers of wealth from uninformed to informed electricity market participants when they transact electricity derivative contracts with each other;
- less ability for uninformed electricity market participants to efficiently manage risks; and
- uncertainty about contracted gas supply for electricity generation leading to increased conservatism in the valuation and management of hydro resources and therefore increased dispatch of higher-cost generation.

When some participants lack information about fuel availability, market prices and generation decisions are less efficient than they otherwise would be, ultimately costing electricity purchasers.

The discussion paper proposes collection of gas supply contracts in their entirety from electricity generators. The proposal implicitly recognises that this information is important enough to collect. It is therefore unclear why the same information should be withheld from market participants whose decisions determine electricity market outcomes. If generator-specific information is not published, the proposal will not materially improve market transparency, participant decision-making, competition, or wholesale price outcomes. The practical effect is that the Government will have more information while the market will not. The information available to electricity market participants will be no better than existing aggregated information published by the Electricity Authority.²

For electricity market benefits to be realised, gas volumes contracted by each generator should be disclosed. Aggregate disclosure would not solve the underlying problem because electricity is generated by individual generators with different asset capabilities, locations, and fuel efficiencies. Market participants need to understand which generators have access

¹ For example, see BCG *Energy to Grow* page 72 available at <https://www.bcg.com/publications/2025/energy-to-grow-securing-new-zealands-future>.

² <https://www.ea.govt.nz/data-and-insights/charts-and-dashboards/thermal-fuel-information/>

to fuel and the extent and timing of that access. Publishing only sector-wide totals obscures the information most relevant to dispatch, risk management, and forward pricing and will not deliver consumer benefits. In principle, gas volumes contracted by each generator should be as accessible as information on the volumes of fuel stored in hydro reservoirs.

In addition, publication of information about the reliability of gas supply constraints (for example, suspension clauses in supply contracts) would also benefit the electricity market and consumers. Inadequate gas information disclosure was a key lesson from winter 2024 when unreliable gas-supply contracts led to the unexpected suspension of gas-backed electricity contracts. The Government should not miss the opportunity to make material improvements to avoid a repeat.

Markets are more efficient when participants are well informed. In Meridian's opinion, disclosure of market sensitive information should be the starting point unless there is good reason for confidentiality. Meridian has not identified any commercial sensitivity in respect of contracted gas volumes by electricity generators or information about the reliability of gas supply contracts. In any event, the consumer benefits of publication are likely to outweigh any commercial detriment to the parties to gas supply contracts. The simplest way to publish the relevant information would be for the Government to publish gas supply contracts entered into by electricity generators, with only prices redacted (or published separately in an aggregated and anonymised fashion).

Meridian welcomes the Government's objective to increase gas market transparency but as set out in this submission, adjustments to the proposal are necessary to ensure it delivers the intended consumer benefits.

Nothing in this submission is confidential.

Please contact me if you have any queries regarding this submission.

Nāku noa, nā

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