

Settlement and Prudential Security Technical Group ::: Meeting number 2

Venue ::: Electricity Authority Meeting Room 1, Level 7, 2 Hunter Street, Wellington

Time and date ::: 0930 ::: 21 November 2012

## Minutes

### Present

::: Stuart Innes (Chair)

### Members

::: Shane Adams (TrustPower)  
::: David Chan (Contact Energy)  
::: Paula Checketts (NZAS)  
::: Jennifer Hickson (Meridian Energy)  
::: Ken Gibb (Genesis Energy)  
::: Erich Livengood (NZX)  
::: Steve Torrens (NZX)  
::: Micky Cave (Transpower)

### Apologies

::: Stephen Peterson (Simply Energy)  
::: Patrick Hoerler (Mighty River Power)  
::: Craig Parker (Pulse Utilities)

### In attendance

::: Tim Street (Electricity Authority, Director Wholesale)  
::: Ross Hill (Electricity Authority, General Manager Legal and Compliance)  
::: Barbara Sole (Electricity Authority, Senior Legal Counsel)  
::: Craig Evans (Electricity Authority, Manager Retail and Network Markets)  
::: Richard Harrow (Electricity Authority, Adviser Wholesale)  
::: Andrew Jefferies (Jefferies Consulting) (by telephone)  
::: Tony Dellow (Buddle Findlay)  
::: Adam Jackson (Buddle Findlay)  
::: Anna Parker (Buddle Findlay)  
::: Grant Lumsden (Igniter Ltd)

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### Description of action

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### Morning coffee

Members met each other informally from 09:15.

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### 1 Welcome

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The formal part of the meeting began at 09:33.

Apologies were received from Stephen Peterson, Patrick Hoerler and Craig Parker.

Those present introduced themselves as some were attending an SPSTG meeting for the first time.

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## 2 **Minutes of the previous meeting (Item 1)**

The draft minutes of the SPSTG's previous meeting were adopted by the meeting.

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## 3 **Correspondence**

An item of correspondence was received from Craig Parker.

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## 4 **Interests Register (Item 3)**

Ross Hill of the Authority's legal team provided the meeting with additional information on the requirement to make disclosures of interests, and made clear that this is an on going obligation.

The Chair updated the SPSTG on his interests.

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## 5 **Project updates (Item 2)**

Tony Dellow of Buddle Findlay introduced the initial code drafting to the group. He explained that the draft version had substantial changes to the structure of Part 14 of the Code, and that SPSTG members would be provided with a schedule of changes as the degree of change to Part 14 would be too great to sensibly use a "track changes" approach.

The correspondence from Craig Parker related to the item on partial net settlement and was discussed by the meeting.

Erich Livengood provided the group with information on the progress of the FTR prudential assessment methodology currently being led by the clearing manager.

Richard Harrow updated the meeting on the initial work done on the Wholesale Advisory Group (WAG) recommendation concerning flexibility regarding initial margin assessments.

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## 6 **Presentation of Insolvency Law and the Code (Item 4)**

Adam Jackson of Buddle Findlay provided a presentation on the interaction between insolvency law and the Code. This was the same presentation which had been earlier provided to the WAG. After discussion on the topic the group requested that a document be prepared to cover the material in the presentation and the information provided in the subsequent discussion.

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## 7 **Update on Retail Advisory Group work**

Craig Evans provided an update on the Retail Advisory Group's (RAG) work on "Arrangements for managing retailer default situations". The RAG has a preference for a commercial solution to the removal of a defaulting participant from the wholesale market. All present agreed that the days required to remove a defaulting participant from the market is an important driver of the level of prudential required by the clearing manager.

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Steve Torrens left the meeting at 12:00 as lunch was served.

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## 8 Initial Code development

Andrew Jefferies provided a presentation on partial net settlement. The presentation outlined the WAG's recommendation and described how partial net settlement could work.

Andrew Jefferies provided a presentation on calculating the required prudential level. The presentation discussed the calculation of the initial margin including the treatment of generation and HSAs, and the determination of the price to be used for the initial margin calculation.

Andrew Jefferies undertook to prepare a list of questions to be circulated to SPSTG members shortly after the meeting to facilitate input on the design of partial net settlement and on the methodology for calculating required prudential levels.

Shane Adams left the meeting at 14:45

Tim Street left the meeting at 14:50

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## 9 Next meeting

Members agreed that the next meeting of the SPSTG would be held on 11 December 2012.

The meeting closed at 14:55.

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