

Wholesale Advisory Group ::: Meeting number 21

Venue ::: Electricity Authority Board room, Level 7 ASB Bank Tower, 2 Hunter Street, Wellington

Scheduled at 9:30am on 9 April 2014

Minutes

Members present

::: John Hancock (Chair)
 ::: Bruce Rogers
 ::: Neal Barclay
 ::: Richard Spearman
 ::: Stephen Peterson
 ::: Graeme Everett
 ::: Alan Eyes
 ::: Chris Jewell
 ::: John Carnegie

Apologies

::: There were no apologies

Also in attendance

::: Lisa Dhanji (Transpower, Manager Market Services)
 ::: John Rampton (Electricity Authority, General Manager Market Design)
 ::: Tim Street (Electricity Authority, Manager Wholesale Markets)
 ::: Richard Harrow (Electricity Authority, Advisor Wholesale Markets)
 ::: Bridget Moon (Concept Consulting Group)
 ::: Greg Sise (Energy Link) for agenda item 3
 ::: Radek Mierzejewski (Payless Energy Limited) for agenda item 5
 ::: Rebecca Osborne (Pioneer Generation) for agenda item 4
 ::: Grant Smith (Pioneer Generation) for agenda item 4
 ::: Chris Sadler (New Zealand Wind Farms) for agenda item 6
 ::: Alister Morison (Cold Storage Nelson) for agenda item 8

1 Joint RAG/WAG discussion

There is a separate minute for this agenda item.

2 Welcome and housekeeping matters

The Chair welcomed everyone to the meeting.

A Apologies

There were no apologies.

B Interests Register update

The Chair reminded members of their responsibility to declare any interests that might conflict them, noting in particular the upcoming Genesis IPO, and asked members to advise updates, as necessary.

C Minutes of the previous meeting

The Chair led the group through the action items from the previous meeting, with Tim Street from the Electricity Authority (Authority) providing updates to the group on:

- the priority of changes to the gate closure period, suggesting a Code amendment may be possible by the end of the calendar year.
- the state of the draft paper on the National Frequency Keeping market
- progress with regard to a meeting between gentailers to facilitate information disclosure, noting that Commerce Act issues were not a limiting factor at this point

The action to brief the Chair on service provider governance structures was noted as being incomplete.

The group discussed issues about disclosure of fuel information. The Chair suggested that the issues be dealt with offline by a sub-group of interested members, as the issue had already been dealt with by the WAG, and suggested that it may be necessary to explore the original commitments that were made during that project. It was noted that the Authority will soon be reviewing the wholesale information disclosure project outcomes, and members should try to achieve a suitable outcome prior to that review.

A member expressed concern with the drafting of one of the minutes regarding the requirement for participants to observe a high standard of trading conduct at all times. The secretariat agreed to amend the drafting.

A member also suggested that their comments about the need to educate insurance companies about credit issues in the market had not been accurately captured in the minutes. It was later agreed they had been, but that having an insurance company present to WAG, at this stage, as minuted would provide no benefit.

Apart from these changes, the draft minutes for the previous meeting were accepted as a true and accurate reflection of the proceedings.

D Matters arising

There were no matters arising.

E Correspondence

There were no items of correspondence. The Chair noted the WAG had received a letter from the Authority Board, and that it would be included as an item of correspondence to be considered at the next meeting. Tim Street also noted that a letter had been sent from Graeme Everett to the Chief Executive of the Authority, which included constructive discussion about the hedge disclosure website, and that it this letter would also be an item of correspondence for the next meeting, with Mr Everett's agreement.

F WAG work plan update

There was no time to consider the work plan update before the first presenter arrived.

3-8 Hedge Market Presentations

Five industry participants joined the meeting through-out the afternoon to discuss their perceptions of the hedge market, including areas where they felt problems existed, and changes that might address those problems. The presenter from Gerard Archbold, Group Financial Controller, of Tuaropaki Trust (agenda item 7) sent his apologies.

The presenters were (in order, noting the agenda number and attendance times):

3. Greg Sise of Energy Link, who joined the meeting by teleconference (1:00pm – 1:25pm)
5. Radek Mierzejewski from Payless Energy Limited (1:30pm – 1:55pm)
4. Rebecca Osborne and Grant Smith from Pioneer Generation, who joined the meeting by teleconference (2:00pm – 2:30pm)
6. Chris Sadler, from New Zealand Wind Farms, who did not appear as a representative of New Zealand Wind Farms, and joined by teleconference (2:35pm – 3:00pm)
8. Alister Morison from Cold Storage Nelson (3:15pm – 3:45pm).

The Chair welcomed each presenter in turn for coming to the meeting. Each presenter talked for around 5-10 minutes, after which members explored the issues raised with the presenter. The Chair then thanked the presenter for their input and notified them of the process going forward, and that they would have a further opportunity to contribute when a discussion paper was released later in the year.

In between presentations, the group briefly discussed the issues that arose.

Members suggested that a review of similar international markets be undertaken, as well as consideration of other commodity markets. Tim Street noted that this was already underway. The group also discussed the extent to which some market entry costs might be appropriate.

A more in-depth discussion ensued at the conclusion of the last presentation. Members considered what might be required to achieve greater engagement from end-users, and suggested the potential for benefits to arise from improved education about the market. Members also theorised about opportunities to lower transaction costs through improved access to standard hedge products.

9 Other business

The Chair talked about the work plan for the next WAG meeting in May, suggesting that it would likely contain quite in-depth sessions on the Frequency Keeping and Hedge Market Development projects.

Tim Street noted that the Authority had been doing some interesting work on data and metrics on the hedge market, which it would present at the next meeting, and that there would also be some results available from the Hedge Market Survey.

The Chair asked the secretariat if it would be able to circulate the papers for the next meeting early. John Rampton from the Authority responded that doing so would be difficult given the Easter holiday period, but that it would be able to circulate the Frequency Keeping paper early, and would drip-feed further correspondence as it became available.

A member queried why the WAG was not involved in the Transmission Pricing Project. John Rampton provided an explanation, and noted that the Authority Board would consider the view of the group as expressed during the combined RAG/WAG meeting.

The group discussed arrangements for the next WAG meeting, due to be held at the NZ Steel offices in Glenbrook, Auckland. Alan Eyes of NZ Steel requested that members email him if it would be a problem if the guided tour of the steel mill ended at 4:30pm, and if they were interested in any additional activities at the mill. He would liaise with Richard Harrow from the Authority on this issue. It was further noted that protective gear would be provided for the tour, but that members should bring boots if they have them, and closed-in footwear would be required.

The Chair noted that the proposed meeting schedule for the second half of the calendar year would be circulated with the next meeting papers, and that a 7-week meeting cycle was being adopted.

The Chair also highlighted that the call for advisory group nominations had gone out and encouraged members to get their nominations in – reminding existing members they are not restricted to a single term.

There being no other items of business, the Chair closed the meeting at 4.17pm.

Action

Circulate to the group:

- draft of Frequency Keeping paper
- draft minutes from this meeting
- a letter sent from Graeme Everett to the Chief Executive of the Authority
- a recent letter to the WAG from the Authority Board
- the meeting schedule for the second half of the year

By

Secretariat

Date for

>1 week
before the
next meeting