

MINUTES

Meeting number: 1

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

Time and date: 9:30am to 3:00pm, Tuesday, 28 November 2017

Attendees

- James Moulder (Chair)
- James Flannery
- James Flexman
- Darren Gilchrist
- Stu Innes
- Rebecca Osborne
- Bruce Rogers
- Matt Rowe
- James Tipping

Apologies

- None

In attendance

- John Rampton (General Manager Market Design, Electricity Authority)
- Andrew Springett (Senior Legal Counsel, Electricity Authority) [item 2]
- Alistair Dixon (Principal Adviser Market Design, Electricity Authority) [item 4]
- Mike Collis (Senior Adviser Wholesale Markets, Electricity Authority) [item 4]
- Avi Singh (Administrator Market Design, Electricity Authority)

The meeting opened at 9:30am

1 Introduction and welcome

The Chair opened the meeting and welcomed MDAG members, who introduced themselves. The Authority's General Manager Market Design also greeted MDAG members and outlined the Authority's:

- reasons for establishing the MDAG, including the recognition that the demarcation between the wholesale and retail segments of the supply chain was increasingly less relevant
- expectations of the MDAG and its members, noting the group will be working on projects and focusing on identifying problems, options and solutions
- suggestions for potential markers of success for the MDAG.

2 The environment the MDAG will operate in

2A Legal and governance framework

The Authority's Senior Legal Counsel presented on the legal and governance framework the Authority operates within, and how the framework relates to the MDAG.

2B Members' duties and responsibilities

The Senior Legal Counsel outlined to members their duties and responsibilities under the:

- *Charter for advisory groups* (Charter)
- *Terms of reference for the SRC and other advisory groups*
- Crown Entities Act 2004 (particularly in relation to conflicts of interest).

2C Interests register

The Chair:

- tabled the MDAG interests register that included disclosures from members prior to the meeting
- asked the members if they had any further interests to be disclosed
- noted some members disclosed additional interests
- reviewed the interests disclosed and gave all group members permission to act.

3 The MDAG's purpose, goals, and what success looks like

The Chair led a discussion about the MDAG's aims, the goals members want to achieve and potential indicators of success.

Drawing on the General Manager Market Design's earlier suggestions, the MDAG then discussed other potential indicators of success for the group.

4 MDAG work plan

The secretariat gave the group an introductory presentation on the *Review of spot market trading conduct provisions* project, the first project the Board asked the MDAG to advise on.

The presentation began by outlining:

- why the Authority originally created clauses 13.5A and 13.5B (trading conduct provisions) of the Electricity Industry Participation Code 2010 (Code)
- the Authority's decision to establish this project in light of conduct by Meridian Energy and Mercury Energy in 2016 that tested the trading conduct provisions
- the project's aim that the trading conduct provisions are effective in promoting outcomes consistent with workable competition
- the project's 2017/18 priority status (priority 2) and milestone (start preparation of an issues paper).

The MDAG discussed the:

- need to triage the issues before considering the project milestone
- potential impact of the *Review of spot market trading conduct provisions* project on market arrangements, the confidence of the market and other projects on the Authority's 2017/18 work programme
- importance of understanding the market's expectations around what constitutes a 'high standard of trading conduct' in clause 13.5A of the Code in order to help identify the best mechanism to promote a high standard of trading conduct
- need to establish whether workable competition would be measured over half an hour or a longer timeframe.

The secretariat then noted the Authority Board asked the MDAG to consider and report on:

- trading conduct affecting outcomes in the energy and instantaneous reserve markets in the New Zealand wholesale electricity market (spot market)
- whether the trading conduct provisions are adequate to promote the Authority's statutory objective, or whether changes are required to better promote outcomes consistent with workable competition
- options, including guidelines, to aid in the interpretation of 'high standard of trading conduct' in clause 13.5A of the Code
- in light of any proposals to assist with interpreting 'high standard of trading conduct', whether the safe harbour provisions in clause 13.5B of the Code should be modified to ensure that behaviour of parties operating within the safe harbour provisions is consistent with a high standard of trading conduct
- whether the trading conduct provisions should be broadened to apply to parties not subject to offer requirements but whose actions can impact on spot market outcomes inconsistent with workable competition, or whether it would be preferable to address this by other means, such as amending other Code provisions
- whether the trading conduct provisions should apply to actions other than offers that can impact on spot market outcomes inconsistent with workable competition, or whether it would be preferable to address this by other means, such as amending other Code provisions.

The group discussed the proposed project scope and noted:

- the need to be mindful of other markets the spot market can affect
- the MDAG's agreement with the breadth of the proposed project scope

- potential implications for demand-side management and load aggregators
- the strong connection between the project and the Authority's *Spot market settlement on real-time pricing* project, including the need to think about the implications for trading conduct raised by mechanisms such as the 'dispatch-lite' proposal
- the project would need to capture the impact of energy market behaviour on the instantaneous reserve market and vice versa
- the project could consider unoffered generation or demand (such as batteries)
- large-scale remedies and wider impacts could be considered in a later project to avoid delaying immediate iterative changes
- participants do not always have visibility around whether they are pivotal in the instantaneous reserve market
- the difficulty of predicting the impact of new technologies.

The MDAG acknowledged the letter from the Authority's Chief Executive conveying the Board's request for the MDAG to include the *Review of spot market trading conduct provisions* project in its 2017/18 work plan, and agreed to accept the Board's request.

The group agreed to the secretariat's proposed next steps, which were to begin developing a project plan and initial problem definition.

| **Action – 1.1:** Secretariat to develop the *Review of spot market trading conduct provisions* project plan by next MDAG meeting

| **Action – 1.2:** Secretariat to develop an initial problem definition for the *Review of spot market trading conduct provisions* project by next MDAG meeting

The MDAG then explored other projects on the Authority's work programme to potentially add to the group's work plan, focusing particularly on:

- *Normal frequency management strategy*
- *Participation of storage technology in the wholesale market*
- *Saves and win-backs.*

Following discussion, the MDAG expressed interest in advising on:

- *Saves and win-backs* as it would provide the MDAG with a balance and variety of work covering the entire supply chain; the MDAG also committed to achieving the *Saves and win-backs* project milestone for 2017/18 (complete consultation on an issues paper) if the Authority asked the MDAG to undertake the project
- *Participation of storage technology in the wholesale market* as it would focus on the impact of new technologies.

The secretariat agreed to convey the MDAG's expression of interest in the *Saves and win-backs* and *Participation of storage technology in the wholesale market* projects, and the MDAG's commitment to achieving the *Saves and win-backs* project milestone, to the Authority Board for its consideration.

| **Action – 1.3:** Secretariat to convey the MDAG's expression of interest in the *Saves and win-backs* and *Participation of storage technology in the wholesale market* projects, and the MDAG's commitment to achieving the *Saves and win-backs* project milestone, to the Authority Board for its consideration by next MDAG meeting

5 The MDAG's operating procedures

The Chair led a group discussion about how the MDAG could operate.

5A Group conduct

The MDAG discussed members' interactions with each other and the secretariat, how meetings would run, and the secretariat's duties.

5B Meetings

The group agreed:

- its preference was for meetings to be held face-to-face, but it would consider using technology where required
- to hold meetings in both Wellington and Auckland.

The MDAG decided on the following 2018 meeting schedule:

- Thursday 8 February
- Thursday 15 March
- Wednesday 18 April
- Thursday 3 May
- Tuesday 26 June
- Thursday 25 October.

For months where no meeting date was set, the group agreed to consider these at a subsequent meeting.

5C Meeting materials

The MDAG:

- agreed to receive the meeting pack in PDF form by email
- approved the use of decision registers and landscape presentations
- agreed to receive oral updates on work plan projects, with dashboards provided where necessary.

5D Publishing meeting materials on the Authority website

The group agreed to:

- review and approve meeting materials at the end of each meeting with a view to publishing them on the Authority's website soon afterwards
- confirm meeting minutes via email before the next meeting where possible.

5E How the group will engage and consult

The MDAG expressed an open mind about how to engage with stakeholders, and a willingness to try technology-based methods wherever possible.

5F Appointing a temporary deputy chairperson

The group agreed Bruce Rogers would act as the MDAG's temporary deputy chairperson whenever the Chair is unavailable.

5G Interaction with the Innovation and Participation Advisory Group (IPAG)

The MDAG discussed how it would interact with the IPAG, and agreed to try to:

- informally meet with the IPAG over lunch at its next meeting on Thursday, 8 February 2018
- hold combined meetings with the IPAG on Thursday, 3 May 2018 and Thursday, 25 October 2018
- have working lunches with the IPAG where possible.

| **Action – 1.4:** Secretariat to arrange for the MDAG to informally meet with the IPAG over lunch by next MDAG meeting

The meeting ended at 2:40pm