

MINUTES

Meeting number: 11

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

Time and date: 9:30am to 3:50pm, Tuesday, 26 February 2019

Attendees

- Tony Baldwin (Chair)
- James Flannery
- James Flexman
- Darren Gilchrist [left 3:15pm]
- Stu Innes
- Rebecca Osborne [joined 10:09am, left 3:15pm]
- Bruce Rogers
- Matt Rowe [joined 9:47am]
- James Tipping

In attendance

- Murray Henderson (Principal Market Analyst, System Operations, Transpower)
- Rob Bernau (General Manager Market Design, Electricity Authority) [item 4; arrived 1:15pm, left 1:34pm]
- Tim Street (Manager Wholesale Markets, Electricity Authority) [items 1, 3, 4, 5 and 6; left 9:45am, re-joined 12:10pm]
- Craig Evans (Manager Retail and Network Markets, Electricity Authority) [items 1 and 2; left 10:30am]
- Alistair Dixon (Principal Adviser Market Design, Electricity Authority)
- Hannah Hopper (Adviser Wholesale Markets, Electricity Authority) [items 3, 5 and 6; joined 12:10pm]
- Alex Ehlert (Senior Investigator, Electricity Authority) [item 5; joined 2.45pm, left 3:45pm]
- Rachel Holden (Advisory Group Administrator, Electricity Authority)
- John Stephenson (Partner, Sense Partners) [item 2; joined 9:35am, left 12:10pm]

The meeting opened at 9:30am

1 Meeting Administration

1A Apologies

No apologies were received.

1B Interests register

The Chair tabled the MDAG interests register. One member removed an interest from their disclosure.

1C Minutes of previous meetings

The Chair tabled minutes of the previous meeting on Wednesday, 5 December 2018.

A member proposed changing the ninth bullet point under item 3 of the minutes to reflect discussion on what would happen if knowledge of the switch was ring-fenced within the losing retailer's switching team.

The group confirmed the minutes subject to the proposed change being made.

1D Matters arising

The Chair noted that the Authority had received an OIA request for members' disclosure of interests.

1E Action list

The Chair noted all actions from the previous meeting were completed.

1F Correspondence

The Chair tabled correspondence from the Vocus General Manager – Wholesale, Regulatory and Commercial regarding saves and win-backs.

The MDAG asked the Secretariat to respond to the correspondence, noting that the Electricity Price Review (EPR) submissions have been reviewed in the process of preparing the saves and win-backs recommendation's paper.

- | **Action – 11.1:** Secretariat to respond to the correspondence from Vocus General Manager – Wholesale, Regulatory and Commercial.

1G Work plan update

The Chair tabled the work plan update for the group to note.

2 Saves and win-backs

The group discussed the preliminary view on saves and win-backs in the *Electricity Price Review – Options Paper*.

The MDAG considered an updated draft of *Saves and win-backs – recommendations paper* and agreed:

- to note in the paper what the *Electricity Price Review – Options Paper* says on saves and win-backs
- to note in the paper that the EPR needs to consider fairness in its consideration of options and that the EPR panel has different evidence to MDAG

- to include a paragraph in the paper noting that a losing retailer needs to be notified of a switch and discussing what impact there would be if there was a set period within which the losing retailer could not contact the customer
- to make explicit in the paper's conclusion that there is no evidence for changing the Code
- to draw out that saves and win-backs is a consumer welfare issue in the paper's conclusion
- that various other minor drafting changes be made to the paper
- once requested changes have been made to the paper and agreed to by members (over email), to publish the updated draft of the paper on the Authority's website with the other meeting papers.

Action – 11.2: Secretariat to prepare updated draft of *Saves and win-backs – recommendations paper* and distribute to members for comment **as soon as possible**.

Action – 11.3: Secretariat to incorporate members' comments on updated draft of *Saves and win-backs – recommendations paper* and then publish on Authority's website with other meeting papers **as soon as possible**.

3 Review of spot market trading conduct provisions

MDAG members were asked for general feedback on the presentation.

The Chair presented the key slides of the presentation on the *Review of spot market trading conduct provisions*.

4 Introduction to Acting General Manager Market Design

The Acting General Manager Market Design, Rob Bernau, introduced himself to the group. The group further discussed the preliminary view on saves and win-backs in the *Electricity Price Review – Options Paper*.

3 Review of spot market trading conduct provisions (cont.)

Discussion of the review of spot market trading conduct provisions continued.

The MDAG discussed:

- whether changes to the Code were needed or whether the status quo could be kept with reliance on building up case law
- whether a generator-retailer should be able to use its generation to help manage price exposure of its retail portfolio
- whether the Code should refer to a generator that is net pivotal rather than pivotal
- whether a pivotal generator should be required to act as if there's workable competition
- how specific the trading conduct provisions need to be
- what behaviours on the spectrum of unwanted behaviours the MDAG should focus on first
- the need to be able to update trading conduct provisions quicker than the usual Code change process
- the precedents set by the Meridian case.

The MDAG decided to focus on pivotal behaviour first, before considering the other unwanted behaviours.

The MDAG asked the secretariat to do more analysis of the impact of the Meridian decision on behaviour.

The MDAG noted that it was unclear whether events on the East Coast had been investigated.

The secretariat noted that the 2018/19 Authority work programme target for the trading conduct review was for MDAG to 'publish a discussion paper, if any, on the review of spot market trading conduct provisions'. The secretariat noted that, if MDAG decided to publish a discussion paper, it may miss the target.

| **Action – 11.4:** **Secretariat** to do more analysis of the impact of the Meridian decision on behaviour.

| **Action – 11.5:** **Secretariat** to check what the Authority's expectations are regarding MDAG achievement of the target in the Authority's 2018/19 work programme for the review of spot market trading conduct provisions.

5 Compliance perspective on the trading conduct provisions

Alex Ehlert, Senior Investigator at the Electricity Authority, discussed his views on the application of the current trading conduct provisions.

The MDAG agreed that, one week before the next MDAG meeting, they would each email all other members their view of what sets the boundary between acceptable and unacceptable behaviour when pivotal.

| **Action – 11.6:** **MDAG members** to each email all other members their view on what sets the boundary between acceptable and unacceptable behaviour when pivotal **one week before the next MDAG meeting**.

6 Publication of meeting papers

The group decided to publish:

- the draft *Saves and win-backs – recommendations paper* on the Authority's website once it has been re-drafted in response to members' comments at the meeting
- all other meeting papers, without alteration, on the Authority's website at the same time as the re-drafted *Saves and win-backs – recommendations paper*.

| *The meeting ended at 4:02pm.*

I, Tony Baldwin (MDAG Chair), certify that the minutes recorded disclose all issues discussed at the meeting (date at the top), are recorded truthfully and without bias.

Signature:

Date: Wednesday 27 March 2018 (27.03.2019)

