

MINUTES

Meeting number: 12

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

Time and date: 9:00am to 3:50pm, Tuesday, 26 March 2019

Attendees

- Tony Baldwin (Chair)
- James Flannery [arrived 10:16am]
- James Flexman
- Darren Gilchrist [arrived 11:20am, left 1:22pm]
- Stu Innes
- Bruce Rodgers
- Rebecca Osborne
- Matt Rowe [arrived 11:20am]
- James Tipping [left 1:08pm]

Apologies

- No apologies were received

In attendance

- Murray Henderson (Principal Market Analyst, System Operations, Transpower)
- Rob Bernau (Acting General Manager Market Design, Electricity Authority) [arrived 9:51am, left 10:05am]
- Tim Street (Manager Wholesale Markets, Electricity Authority)
- Alistair Dixon (Principal Adviser Market Design, Electricity Authority) [left 10:14am, re-joined 12:00pm]
- Mike Collis (Senior Adviser Wholesale Markets, Electricity Authority) [arrived 10:10am, left 11:58am]
- Hannah Hopper (Adviser Wholesale Markets, Electricity Authority) [arrived 12:00pm]
- Tom Parsonson (Administrator Market Design, Electricity Authority)
- Rachel Holden (Administrator Market Design, Electricity Authority)
- Philip Beardmore (Director, Strata Energy Consulting) [arrived 10:10am, left 11:58am]

The meeting opened at 9:37am

1 Administration

1A Apologies

Some members informed the Chair prior to the meeting that they would be unable to attend the entire meeting:

- Darren Gilchrist noted he would arrive at approximately 11am
- Matt Rowe noted he would arrive at approximately 11am
- James Flannery noted he would arrive later in the morning
- James Tipping noted he would need to leave the meeting at approximately 1pm.

1B Interest Register

The Chair tabled the MDAG interest register. One member made a minor change to their disclosure.

1C Minutes of previous meetings

The Chair tabled the minutes of the previous meeting on Tuesday, 26 February 2019.

1D Matters Arising

There were no matters arising at this time.

1E Action List

The Chair tabled the Action List.

1F Correspondence

The secretariat noted that correspondence from the Vocus General Manager – Wholesale, Regulatory and Commercial that was tabled at the previous MDAG meeting on Tuesday 26 February 2019 had been responded to.

1G Authority work plan update

The secretariat noted that the Authority was currently determining its work programme for the 2019/20 year. This work programme had been previously consulted on. However, there was potential for the work programme to change given feedback from the Electricity Price Review (EPR) and an Undesirable Trading Situation (UTS) that had raised issues regarding the quality of information disclosure.

The secretariat noted that the MDAG could be given opportunity to comment on an updated Authority 2019/20 work programme at the MDAG's Tuesday 7 May 2019 meeting.

The secretariat noted the status of each of the MDAG projects.

- The Board would consider MDAG's saves and win-backs recommendations paper at its Thursday 4 April Board meeting.
- The dates for the review of spot market trading conduct provisions project milestones had all been changed to 'to be determined' in the MDAG's work plan. The milestone for the trading conduct project in the Authority's work programme is to publish a discussion paper, if any, by 30 June 2019. A paper supporting a workshop could constitute meeting the milestone in the Authority's work programme.

- The new generating technology project would potentially be added to the MDAG's work plan. This had a target in the 2018/19 Authority work programme of initiating development of a discussion paper. The secretariat has not provided a formal scoping letter for this project at this MDAG meeting because the Board is still finalising the 2019/20 work programme. A formal scoping letter would be provided to the MDAG at a later MDAG meeting.

2 Saves and Win-Backs

Members noted that there had been minimal feedback from industry on the published saves and win-backs paper, other than some comments on Energy News.

The secretariat and some members noted that there was substantial discussion of saves and win-backs at the Electricity Price Review (EPR) workshops that were recently held.

The secretariat noted a trial ban on saves and win-backs was being discussed as a method for determining whether a ban would promote competition.

The secretariat noted that advisory groups may be given opportunities to provide further input into projects they have previously provided advice on – and this could be the case with saves and win-backs.

3 Advice on participation of new generating technologies in the wholesale market

The secretariat presented material on a potential new project for the MDAG – advice on participation of new generating technologies in the wholesale market.

The presentation took stock of the various Code obligations for generators and then asked whether these presented any unreasonable barriers to entry of new or different generation technologies participating in the wholesale market.

A member brought up an issue with non-synchronised generators leading to costs not being allocated efficiently in some cases.

A member noted that a quick win would be amending the Code to let batteries be included as instantaneous reserve.

The group asked for clarification on whether the Authority was expecting the MDAG to provide high-level advice on the issues or provide advice on a technology-by-technology basis. A member noted that the problem was not well defined.

The secretariat noted the Authority was expecting the MDAG to provide a high-level pass over the issues. At a high-level, the project is concerned with developing a problem definition around barriers to entry. The problem definition would identify issues that should be prioritised and taken into account in future work programmes. The secretariat suggested that time in the next meeting should be put aside to define the problem in more detail.

The MDAG asked the secretariat to pull together published reports on trends and the future view of new generating technologies.

Action – 12.1: Secretariat to pull together published reports on trends and the future view of new generating technologies.

A member proposed delaying the initiation of this project to enable the group to focus solely on the review of spot market trading conduct provisions. This idea was debated by the group with the group deciding that starting the project now would make best use of the MDAG's and secretariat's resources.

4 Review of spot market trading conduct provisions

The secretariat noted that following the previous MDAG meeting the Chair and secretariat had discussed this project with Concept consultants and Bell Gully to seek further advice on clarifying the scope of the issue.

The Chair asked members for their opinions on generators' behaviour when pivotal. The MDAG discussed:

- the extent to which generators should be able to use asset ownership to hedge risks and whether consumers should have to pay for generators managing locational risk
- whether principle-based Code requirements would be more effective than prescriptive rules
- whether the focus should be on behaviour or outcomes
- that behaviour should be consistent with that in a workably competitive market
- the effectiveness of the safe harbour clause.

The MDAG then discussed the size and scope of the problem and the way forward:

- The Chair questioned what the size of the pivotal problem is and whether the opportunity for it is growing
- The secretariat reminded the group that the Authority is required to focus on efficiency, not corporate fairness.
- The Chair suggested an efficiency test based Code framework specifically for pivotal situations.
 - i) The frameworks would be based on the criteria that was used in the Authority's Market Performance Report into Meridian in 2017
 - ii) The Group would develop this framework to support how decisions are made, leaving it to the authority to implement and make decisions.
- The group decided to approach the problem on a behaviour-by-behaviour basis, focussing on pivotal situations initially. The MDAG could attempt to develop principle-based criteria for each category of behaviour to test behaviour against.
- The group considered retaining the high standard of trading conduct obligations as an emergency catch all.
- The group questioned whether the Authority would approve of the MDAG's planned approach.
- The Chair offered to prepare a two-page document for the Authority, on behalf of the MDAG, setting out where the MDAG plans to head on the review of spot market trading conduct provisions.
- The MDAG noted their request at the 26 February 2019 meeting for the secretariat to investigate the magnitude and trend of the pivotal pricing problem.
- The chair proposed that David Hunt and John Culy present at the next MDAG meeting on their analysis of the pivotal problem.

Action - 12.2: Chair to prepare a two-page document for the advisory group, setting out where the MDAG plans to head on the review of spot market trading conduct provisions.

The Chair discussed the potential to have an interim meeting (before the Tuesday 7 May meeting) over the phone or video-conferencing to further discuss the pivotal pricing problem and to brief the speakers attending the next MDAG meeting.

Action - 12.3: Secretariat to invite David Hunt and John Culy to present at the next MDAG meeting on their analysis of the pivotal problem.

1D Matters Arising

The group then discussed various matters relevant to the MDAG:

Saves and win-backs

The Chair noted that he would be dialling in to the Authority Board meeting on Thursday 4 April to discuss the saves and win-backs recommendations paper.

MDAG meetings in May

The secretariat noted that there is an MDAG meeting on Tuesday 7 May, followed by a joint MDAG/IPAG/Authority Board meeting on Wednesday 8 May. The Authority's expectation is that only the Chair plus two further MDAG members will attend the joint meeting on Wednesday 8 May.

The secretariat noted that the IPAG was also meeting on Tuesday 7 May. The group agreed that it would be useful to have a joint session with IPAG (for about one hour) on Tuesday 7 May to discuss the Authority's proposed work programme for 2019/20. The secretariat agreed to investigate what can be provided to the MDAG on the work programme prior to the MDAG meeting on Tuesday 7 May.

Action - 12.4: Secretariat to determine whether a joint session (of about one hour) can be held with the IPAG on Tuesday 7 May.

Action - 12.5: Secretariat to investigate what material on the Authority's 2019/20 work programme can be provided to the MDAG prior to its meeting on Tuesday 7 May.

New generating technologies

The group discussed getting Dave Reeve to present at the next MDAG meeting on his work on the outlook for new technologies. This could be followed by a brainstorming session to determine what the problem definition is for the new generating technologies project.

Action - 12.6: Secretariat to investigate getting David Reeve to present at next MDAG meeting.

Action - 12.7: Secretariat to investigate getting an external facilitator to assist a brainstorming session on the problem definition for the new generating technologies project.

MDAG members' terms

A member asked for confirmation of when MDAG members' terms ended.

Action - 12.8: Secretariat to send MDAG members confirmation of when their terms end.

5 Publication of meeting papers

The group decided to publish:

- All the meeting paper materials except the members' email correspondence on generators conduct when pivotal.
- *The meeting ended at 4:12pm*

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: Tuesday 7 May (07.05.2019)