

MINUTES

Meeting number: 15

Venue: Bell Gully, Vero Centre, Level 22 Shortland St, Auckland 1140

Time and date: 9:30am to 2:12pm, Tuesday, 30 July 2019

Attendees

- Tony Baldwin (Chair)
- James Flannery
- James Flexman
- Darren Gilchrist
- Stu Innes [arrived at 11:00am]
- Bruce Rogers
- Matt Rowe
- Murray Henderson (Observer – Transpower)

Apologies

- Rebecca Osborne [remotely dialled in between 9:50am and 10:20am]

In attendance

- Rob Bernau (General Manager, Market Design – Electricity Authority) [remotely dialled in between 9:50am and 10:20am]
- Tim Street (Manager, Wholesale – Electricity Authority)
- Alistair Dixon (Principal Advisor Market Design – Electricity Authority)
- Hannah Hopper (Advisor Wholesale – Electricity Authority)
- David Weaver (Consultant – Concept Consulting)
- David Hunt (Partner – Concept Consulting) [remotely dialled in between 10:27am and 12:10pm]

The meeting opened at 9:31am

1 Meeting Administration

a) Apologies

Rebecca Osbourne.

b) Interests Register

There were no changes to the interest register.

c) Minutes of Previous Meeting

- The Group agreed to publish the minutes from the previous meeting
- The Group decided that, moving forward, the minutes should be written in a condensed style. This will be trialled and the group will evaluate the change at the next meeting (4 September 2019).

d) Matters Arising

No Matters arose.

e) Action List

The Group noted the action list.

f) Correspondence

- i) The Group decided to discuss the letter from Rob Bernau (General Manager, Market Design) to Tony Baldwin (MDAG Chair) on member behaviour at a later stage in the meeting

g) Work Plan Update

The Group discussed how it was going to achieve its plan of producing a discussion paper and recommendations paper on pivotal before the end of the calendar year. The Group agreed that some interim meetings/teleconferences will need to be set up.

h) Trading Conduct Term Sheet

The Group noted the trading conduct term sheet and indicated it would be helpful if the Secretariat provided this in 'tracked changes' for future meetings.

2 MDAG Operating Protocol

The Group discussed with Rob Bernau the letter from Rob regarding member behaviour, and whether MDAG would benefit from creating a specific operating procedures document. Key points noted were:

- Members had differing views on whether the topics Matt Rowe's article raised were under consideration by the group.
- The Authority does not wish to restrict the ability of members to publicly comment on issues related to the wholesale electricity market or wider industry.
- Members should refrain from publishing their own, non-group tested hypotheses on subjects under active consideration by the group, unless there is consensus agreement from the group.

Going forward, the Group requested the Secretariat draft an 'operating procedures' document that was intended to provide greater clarity about MDAG's procedures and expectations of members.

- | Action 2.1 Secretariat to create an operating procedures document for MDAG before the next meeting to be held 4 September 2019

3 Trading Conduct

The Group heard from Concept consultants regarding their recent analysis on whether the 'Meridian letter' caused a structural shift in wholesale market prices. Key points noted were:

- That the letter almost definitely was not the driving factor behind a change of prices and offer behaviour seen in the wholesale market since 2017 and that,
- Instead, factors such as an ongoing gas shortage, low hydrology and to a small degree high coal prices, were most probably the cause of a structural shift in wholesale prices and offer behaviour late in 2017.
- The group had various opinions on the importance of the letter as an explanatory factor for prices and offers.

The Group discussed whether sufficient statistical analysis had been done of the offer data (as opposed to price data) and agreed some further analysis would need to be conducted.

- | Action 3.1 Concept to undertake statistical analysis of material in Chapter 5 to examine the extent to which the letter in May 2017 may explain the observed change in *South Island generator offers* (e.g. regress the offer responsiveness variable in Fig 11 against various possible explanatory variables)

Concept also summarised the analysis they had done regarding South Island generator offers (follow up actions from previous meetings related to FTR demand and HVDC reserve sharing). The group discussed how the demand for FTR's changed around late 2017 and wanted to see more analysis conducted in relation to this.

- | Action 3.2 Secretariat to provide the group Concept's slides covering this South Island generator offers analysis.

The group discussed plans for the stakeholder briefing that afternoon.

The group noted that it could be useful for the Authority to produce yearly summarisation and commentary reports on the wholesale market, and that this could form one of their recommendations to the Authority on the Trading Conduct project.

The Group discussed matters relating to the draft Pivotal discussion paper and asked the Secretariat to undertake the following actions:

- | Action 3.4 Secretariat to look into if section 3.3's legal examples of efficiency could be improved.
- | Action 3.5 Secretariat to consider the structure of sections 5 and 6
- | Action 3.6 Secretariat to circulate table under 8.11 to MDAG members for input after the weighting for each parameter has been decided.
- | Action 3.7 Secretariat to circulate the draft pivotal discussion paper section by section to members for them to provide feedback by email once it has been further developed
- | Action 3.8 Secretariat to consider how to measure the size of the pivotal problem

4 Publication of papers

The group decided to publish Concept Consulting's analysis used at the last three meetings (covering *South Island generator offer analysis* and the *Review of impact of trading conduct enforcement action on spot prices*). The Group asked the Secretariat to organise a conference call to decide in what form and when this work will be published.

- | Action 4.1 Secretariat to organise a conference call for members to discuss Concept's finished analysis before publishing it.

The meeting ended at 2:12pm.

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: Wednesday 4 September 2019 (04.09.2019)