

# MINUTES

Meeting number: 17

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

Time and date: 9:33am to 4:10pm, Wednesday, 30 October 2019

## Attendees

- Tony Baldwin (Chair)
- Paul Baker
- James Flannery
- James Flexman
- Stu Innes
- Andrew Kerr
- Rebecca Osborne [left 4:02pm]
- Ann Whitfield
- Al Yates [left 3:15pm]
- Murray Henderson (Observer, Transpower)

## In attendance

- Tim Street (Manager Wholesale Markets, Electricity Authority) [left 2:30pm, re-joined 3:30pm]
- James Tipping (Chief Strategy Officer, Electricity Authority) [left 1:00pm]
- Alistair Dixon (Principal Adviser Market Design, Electricity Authority) [left 11:15am, re-joined 1:05pm]
- Mike Collis (Senior Advisor Market Design, Electricity Authority) [arrived 11:15am, left 1:00pm]
- Hannah Hopper (Advisor Market Design, Electricity Authority) [left 10:34am, re-joined 1:05pm]
- Rachel Holden (Consultant, Concept Consulting)
- David Weaver (Consultant, Concept Consulting) [joined 1:05pm, left 3:15pm]

*The meeting opened at 9:33am.*

## 1 Introductions

The Chair welcomed the new members to the Group. The new members introduced themselves to the Group.

## 2 Meeting Administration

### d) Matters arising

A member asked what the Authority was doing in response to the recommendations coming from the Electricity Price Review (EPR).

The Secretariat noted that the Authority was undertaking an internal assessment of the recommendations and determining what it needed to do in response. The Secretariat then summarised the work the Authority was already doing on market making, wholesale information disclosure, saves and win-backs, and new innovation and technology.

A member noted that it would be good for the Authority to communicate to the industry on the process they're planning to take in response to the EPR recommendations.

The Secretariat noted that at the next MDAG meeting it could go into more detail on what the Authority is doing in response to each of the EPR recommendations.

| **Action 17.1:** Secretariat to provide more detail on what the Authority is doing in response to each of the EPR recommendations at the next MDAG meeting.

The Group discussed which of the Authority's projects (in response to the EPR) it would be useful for the Group to be involved in.

The Group continued its discussion of the EPR later in the meeting.

## 1 Introductions (continued)

Existing members of the Group and Authority staff introduced themselves to the new members of the Group.

## 2 Meeting Administration (continued)

### a) Apologies

There were no apologies.

### b) Interests register

Two members had changes to their interests. The Chair gave the members permission to act.

### c) Minutes of previous meeting

The Group agreed to publish the minutes from the previous meeting.

### d) Matters arising

The Group agreed that Rebecca Osborne would be MDAG's Deputy Chair.

The Secretariat noted that the data that went into the Concept analysis for the trading conduct project had been requested by a member of the public. Concept is preparing the data and it will get published on the MDAG website.

The Secretariat tabled a letter from the Authority formally requesting the MDAG to provide advice on participation of new generating technologies in the wholesale market.

The Secretariat noted that an issue around what needs to be disclosed for the interests register had been raised in the IPAG. The Authority had looked at what is required under the Crown Entities Act and will email MDAG members soon setting out what will change as a result.

| **Action 17.2:** Secretariat to email MDAG members regarding disclosure requirements for the interests register.

A member asked what was happening regarding the Official Information Act (OIA) request the Authority received for all emails and correspondence relating to the article Matt Rowe published. The Secretariat agreed to follow up on whether the OIA request had been responded to yet.

| **Action 17.3:** Secretariat to follow up on whether the OIA request the Authority received for all emails and correspondence relating to the article Matt Rowe published has been responded to yet.

#### e) Action list

The Group noted the action list.

#### f) Correspondence

The Group noted the correspondence.

#### g) Work plan update

The Group agreed to discuss the work plan update at the end of the meeting.

### 3 MDAG's operating procedures

The Group discussed the draft MDAG operating procedures document.

The Group discussed that there was a perception in the industry that the MDAG wasn't independent. A member felt that changing the makeup of the Group (so that there were more members employed by independent retailers and/or consumer trusts on the Group) would be the best way of dealing with the industry's perceptions. No consensus was reached on this point.

The Group agreed that the operating procedures would be published on the Authority's website and that feedback would be asked for.

| **Action 17.4:** Secretariat to publish MDAG operating procedures on the Authority's website and ask for feedback.

### 4 New generating technology – outline of recommendations paper

The Secretariat noted that they were looking for feedback from the Group on the outline of the recommendations paper. The Secretariat would then make changes to the paper and bring a final draft to the next MDAG meeting.

The Secretariat noted that the letter from the Authority requesting the MDAG's advice on participation of new generating technologies in the wholesale market aligned with the root and branches approach taken in the recommendations paper.

The Group discussed the outline of the recommendations paper. The Group agreed that changes needed to be made to the recommendations paper to:

- paint a picture that the issue is much wider than just generation technology
- note that the principle of root and branches is to be technology neutral
- cover distributed energy resources (DER) and virtual generation
- ensure quick wins are consistent with longer term view
- note that new Code needs to signal cost properly and set out performance requirements
- frame the root and branches approach in terms of injection and withdrawal
- draw on experience from other jurisdictions such as Australia
- signal to the Authority that this is a big project and that the Authority will need significant resource to process this work.

| **Action 17.5:** Secretariat to make changes to the new generating technology recommendations paper to reflect members' comments and provide a final draft for the MDAG to discuss at its next meeting.

## 5 Trading conduct – draft discussion paper (including CBA)

The Chair noted that members had received the draft discussion paper late so it wasn't expected that they would have read all of the paper.

The Chair noted that the key questions for the Group were:

- whether the current measure (high standard of trading conduct) was sufficient to meet the objective of improving efficiency of prices in pivotal supplier situations
- if not, was the measure proposed in the draft discussion paper a better solution.

The Group discussed a range of topics relevant to the discussion paper including:

- whether a more liquid hedge market (due to mandatory market making) would reduce the pivotal pricing issue
- that the current requirement is very vague and that a test was needed that was very easy for a trader to determine whether they were in breach or not
- that it's offer behaviour (rather than where the price lands) that's of concern
- the requirement for the Australian Energy Regulator (AER) to release a short report following a high price event (spot prices above AUS\$5000/MWh).

The Group discussed the scale of the pivotal problem. The Chair noted that earlier analysis had used different methodologies and assumptions and this may be driving differences in results. A member noted that this should be run past the Board.

The Group agreed that the high standard of trading conduct and safe harbour provisions should both be taken out of the Code and replaced with the Group's proposal. The Secretariat noted that this would mean some behaviours (such as market manipulation) wouldn't be covered by the Code. The Group noted that if the Board had concerns about market manipulation and insider trading they should do something to specifically address these issues.

The Group discussed the structure of the draft discussion paper, including:

- that it wasn't easy to read and covered complex material
- that the CBA may be detracting from the analysis in the paper and therefore it may be better not to include it—the Group considered ways other than a quantitative CBA of showing that the proposal was beneficial
- whether the annexes and the proposed Code amendment should be included in the discussion paper.

The Group noted that the more detail that was included in the discussion paper (such as a CBA and the proposed Code amendment), the quicker it would make the Authority's processes later on. The Group decided that the discussion paper should not include the CBA because it may detract from the proposal, but that the proposed Code amendment should be included.

The Chair noted that the next step was to get feedback from members on the discussion paper.

The secretariat noted that the paper could go to the 6 December Board meeting or the 18 December Board meeting. The secretariat noted that it would be very tight to meet the 30 June deadline in the Authority's work programme.

It was agreed that the secretariat would come back to the Group in the next day or two setting out a proposed timeline for getting a paper to the December 18 Board meeting.

- | **Action 17.6:** Secretariat to come back to the Group setting out a proposed timeline for getting a paper to the December 18 Board meeting.

## 2 Meeting Administration

### e) Matters arising

#### The Group continued its discussion of the EPR.

The Group thought it would be useful for the Group to pick up some work on wholesale market information project as it was less progressed than other EPR projects and the MDAG could add some value.

The Group considered whether it should send a letter to the Board noting that it would like to be involved in the wholesale market information project. The secretariat noted that Authority staff were planning to take a wholesale market information scoping paper to the Board and this paper could note that Authority staff were interested in having the MDAG involved in the project.

## 6 Publication of papers

The Group decided to publish all meeting papers except the:

- outline of the new generating technology recommendations paper
- draft trading conduct discussion paper.

The group noted that the new generating technology recommendations paper and trading conduct discussion paper were currently working drafts and would be published later.

*The meeting ended at 4:10pm.*