

MINUTES

Meeting number: 32

Venue: By Zoom

Time and date: 9:30am, Wednesday, 20 October 2021

Attendees

- Tony Baldwin (Chair)
- Paul Baker
- Matthew Cleland
- Stu Innes (joined 11:00am)
- Dr Andrew Kerr (joined 11:00am)
- Tony Oosten
- Rebecca Osborne (joined 9:45am)
- Ann Whitfield (joined 10:30am)
- Fiona Wiseman
- Al Yates
- Conrad Edwards (Observer, MBIE)
- Dr Ramu Naidoo (Observer, System Operator)

In attendance

- Dr James Tipping (Chief Strategy Officer, Electricity Authority)
- Alistair Dixon (Principal Advisor Market Policy, Electricity Authority)
- Dr Stephen Batstone (independent consultant, joined 10:00am)
- Rachel Holden (Concept Consulting)
- James Innes (Concept Consulting)
- David Hunt (Concept Consulting, items 2, 5 & 6)
- John Culy (JC2 Consulting, item 2)
- Nevill Gluyas (Jarden, item 3)

The meeting opened at 9:35am

Meeting administration

The Group agreed to publish the minutes from meeting #31.

The Group approved the action list.

The Chair introduced Rachel Holden and James Innes and noted that they would be helping with project management.

1. Learnings from stakeholder meetings

The Secretariat shared some slides setting out which stakeholders the MDAG and Secretariat met with, and the key themes from those meetings.

The Group shared their views on the key themes from the stakeholder meetings. It was agreed that some of the views expressed by stakeholders were likely instinctive and that a more analytical view of the future was needed. It was agreed that MDAG's work should be helpful in this respect.

The Secretariat noted that two more parties (NZ Geothermal and DB) had expressed an interest in the project.

Action 32.1 – Secretariat to distribute slides on summary of stakeholder meetings to the Group.

Action 32.2 – Secretariat to publish stakeholder presentation slides.

2. Spot price modelling (discussion with Concept Consulting and JC2 Consulting)

John Culy and David Hunt presented Concept-JC2's assumptions and initial results for its spot price modelling. David noted that the results were preliminary and only reflected one set of assumptions.

The Group discussed the initial results and noted that they were affected by water value assumptions in the model. David noted that they planned to look at how alternative water value assumptions may affect the results.

The meeting broke for lunch part way through this item.

David asked the Group whether there were particular things it would be useful for them to test further in future runs of the model. The Group suggested that (in addition to considering water value assumptions):

- a lower EV flexibility assumption be tested
- financing issues be looked at further – what does risk/volatility mean for financing
- they consider load duration curves in more detail.

The Chair noted that the next steps for the spot price modelling are:

- run further sensitivities
- have the modelling peer reviewed by Greg Sise and Hamish Fraser
- workshop the model with selected stakeholders with modelling experience.

The Chair noted that there would be a high level of iteration on the model. The Chair asked that any feedback on the model be sent directly to John Culy and David Hunt (with the Secretariat copied in).

Action 32.3 – Concept-JC2 to run the model again with various sensitivities including different water value assumptions and lower EV flexibility assumption.

The meeting broke for 5 minutes.

3. The impact of 'lumpiness' on the transition to 100% renewables (discussion with Nevill Gluyas)

Nevill Gluyas shared his slides on the impact of 'lumpiness' on the transition to 100% renewables. The slides focussed on potential sources of lumpiness.

The Group had a general discussion and viewed these slides as a useful input into the workstream on the contracts markets assuming 100% renewable electricity.

4. Risk management transition (discussion with Stephen Batstone)

Stephen Batstone shared some slides on the risk management transition. He noted that the slides gave a snapshot of key findings so far in preparing his paper for MDAG..

The Chair noted that Stephen's work on the risk management transition would feed into work that Sapere is about to start on risk management.

Action 32.4 – Secretariat to distribute Stephen's risk management transition slides to the Group.

5. Problem definition (discussion with Concept Consulting)

David Hunt went through the outline of the Issues Paper. He considered that the key questions that MDAG were trying to answer were:

- (a) How is New Zealand's electricity system expected to change in physical and economic terms with 100% renewable electricity?
- (b) Will New Zealand still need a wholesale electricity market with 100% renewable electricity?
- (c) Will the current wholesale electricity market design operate effectively with 100% renewable electricity (if the answer to (b) is yes)?
- (d) What changes to the market design should be considered and when would they be needed (if the answer to (c) is no)?

David Hunt noted that the Issues Paper will focus on (a) – (c). (d) will be considered in a second paper (after the Issues Paper has been consulted on).

The Group agreed that these were the correct questions to focus on. The Group will discuss the content of the paper as it is built up in a series of drafting steps.

6. Next steps

The Chair shared the project plan and noted that:

- Concept will provide a weekly iteration of the Issues Paper to MDAG
- the Secretariat will hold workshops with various participants on the modelling at a relatively technical level

- the Secretariat was looking to get an independent view on ancillary services to link to the Authority and system operator view on this.

The Group noted that it was quite a tight timeframe, and we need to watch out for the risk of different papers not adequately informing each other, potentially leaving some issues untouched.

A member questioned whether releasing a consultation paper just before Christmas was fair to stakeholders. The Chair noted that the holiday period would be reflected in the timeframe given for consultation.

The Secretariat noted that the first Future Security and Resilience (FSR) report will inform the MDAG work.

7. Any other business

The meeting closed at 4:09pm.