

Terms of Reference for the Locational Price Risk Technical Group (LPRTG)

November 2010

Background

1. The Locational Price Risk Technical Group (LPRTG) has been established to assist the Commission with its Managing Locational Price Risk Project¹ (Project).
2. An overview of the Project is available at: -
<http://www.ea.govt.nz/our-work/programmes/priority-projects/locational-hedges>
3. In accordance with the Electricity Industry Act 2010 (Act) the Electricity Authority (Authority) is intending to consult interested parties on a draft Advisory Group Charter. The Authority will finalise the Charter following consultation, and proceed to form new advisory groups.
4. In the meantime, the Authority will continue to use the Electricity Commission's technical and advisory groups based on the Charter inherited by the Authority. This Terms of Reference has been minimally revised to continue current group arrangements until new groups are formed.

Role

5. The role of the LPRTG is primarily to provide specialist and technical advice to the Authority in relation to the detailed design and operation of selected hedge mechanisms for managing locational price risk.
6. The LPRTG will also provide advice on:
 - (a) the current constraint methodologies used to calculate spot prices, and on their effects (e.g. spring washer effects); and
 - (b) the outputs from other Authority workstreams that interrelate with managing locational price risk.
7. The range of functions may include:
 - (a) provision of technical advice on reports or analysis by consultants or the Authority on mechanisms to manage locational price risk;
 - (b) technical review of managing locational price risk consultation documents prior to public consultation;
 - (c) review of submissions on managing locational price risk consultation documents;
 - (d) provision of specialist advice on reports from other Authority projects in relation to any impact on the provision of a mechanism to manage locational price risk;
 - (e) providing reports or comments on issues arising from the Project; and

¹ Also known as the Locational Hedges Project.

- (f) providing reports or comments on managing locational price risk issues arising from other Authority workstreams.
8. In performing its role, the LPRTG must be mindful that its advice is consistent with: the Act; the Government Policy Statement on Electricity Governance; the Authority's principal objectives; the Project objectives and the LPRTG workplan provided by the Director Wholesale.

Membership

9. LPRTG members are appointed by the Chief Executive after considering nominations from participants.
10. The LPRTG also has:
- (a) an independent Chair, who will be appointed by the Chief Executive;
 - (b) the support of a secretariat organised by the Authority; and
 - (c) the Director Wholesale as the Authority's lead representative.
11. For the avoidance of doubt, the independent Chair, secretariat and the Director Wholesale are not members of the LPRTG.

Tenure

12. The members and Chair will continue in office for a period of six months or until the LPRTG is disestablished by the Authority, whichever occurs first.
13. In the event the LPRTG is not disestablished, the members and Chair may be reappointed for further terms of up to two years (at the Authority's discretion).
14. The Authority may, after consultation with the person concerned, end a person's membership of the LPRTG by written notice to the person.

Responsibility of the Director Wholesale

15. The Director Wholesale is accountable to the Authority for:
- (a) working with the LPRTG to provide a high-level work plan for the group;
 - (b) the resourcing and support of the LPRTG;
 - (c) reporting to the Board of the Authority (Board) on LPRTG matters as a component of providing advice to the Board;
 - (d) conveying relevant views, policies and decisions of the Authority to the LPRTG; and
 - (e) setting the agenda for each LPRTG meeting.

Responsibility of the Chair

16. The key functions of the Chair include:
- (a) facilitating discussions between members in such a manner that will stimulate robust debate on issues and encourage effective contribution from members; and
 - (b) guiding discussions so that they are relevant and effective while at the same time ensuring that genuine disagreements and conflicts are aired and, if possible, resolved.

Responsibility of members

17. Members and the Chair must:
- (a) comply with the requirements set out in this terms of reference;
 - (b) be available for all LPRTG meetings unless granted leave under paragraph 11, read all LPRTG papers circulated and actively contribute to the discussions of the LPRTG;
 - (c) inform the chair of the LPRTG and the Director Wholesale of any actual or potential conflicts of interest that may affect their ability to perform their functions as a member of the LPRTG; and
 - (d) carry out the tasks of the LPRTG arising from the agenda for each LPRTG meeting.

Administration

18. The business and activities of the LPRTG must be as transparent as practical, and unless otherwise agreed by the Authority:
- (a) all meeting papers will be distributed to members and the chair in advance of meetings and reasonable endeavours will be made to circulate papers five business days prior to meetings;
 - (b) appropriate meeting papers will be published on the Authority's website;
 - (c) minutes of all meetings will be published on the Authority's website as soon as practical after their confirmation.

Methods of holding meetings

19. A meeting of the LPRTG may be held by a quorum of its members being at the place, date and time appointed for the meeting.
20. As a general rule, meetings must be held in person.

Quorum

21. The quorum for LPRTG meetings is a majority of members.
22. No business (which includes approving minutes and providing advice to the Authority as part of the LPRTG) may be transacted at a LPRTG meeting if the quorum is not met.
23. Members are not entitled to send an alternate in their place if they cannot attend a LPRTG meeting.

Attendance

24. Any member of the LPRTG who misses two consecutive LPRTG meetings will be deemed to be removed from the LPRTG except where this leave has been agreed by the Director Wholesale.

Minutes

25. The chair must ensure that proper minutes are kept of all business conducted at LPRTG meetings.

Confidentiality of reports

26. In the normal course of events, all reports submitted to the LPRTG (including reports or presentations submitted by members) will not be treated as confidential and will be subject to the requirements of the Official Information Act 1982.
27. The Director Wholesale will arrange for all non-confidential reports, including reports or presentations submitted to the LPRTG by members, to be published on the Authority's website.