

Settlement and Prudential Security Review - Code Amendment Project

Terms of Reference for the Settlement
and Prudential Security Technical Group
Version 1.0

14 September 2012

Draft

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1 Background

- 1.1 On 4 September 2012 the Wholesale Advisory Group (WAG) provided the Electricity Authority Board (Board) with recommendations as to changes which it proposed be made as a result of its Settlement and Prudential Security Review (SPSR).
- 1.2 The Authority is now starting the detailed design phase of the SPSR. This phase is expected to lead to amendments to the Electricity Industry Code 2010 (Code) and the possible introduction of market facilitation measures. The Authority expects that given the nature and extent of the recommendations made by the WAG, Code amendments will be extensive and may well result in a substantial amount of change to part 14 of the Code.
- 1.3 The Electricity Authority (Authority) now wishes to establish a Settlement and Prudential Security Technical Group (SPSTG) to help the Authority develop appropriate Code amendments and prepare a consultation paper.

2 Role of the Settlement and Prudential Security Technical Group

- 2.1 The role of the SPSTG is to assist the Authority, providing practical assistance and advice on the Authority's developing plans for Code amendments and market facilitation measures, which will embody the recommendations made by the WAG on the issues covered by the SPSR.
- 2.2 The role includes the provision of advice on:
 - (a) the drafting of possible Code amendments and market facilitation measures;
 - (b) practical implications for different implementation alternatives; and
 - (c) the costs and benefits of alternative options.

It may be advantageous for the group to remain in place after the Code amendments have been made, to assist the Authority with the implementation of the changes.

3 Membership

- 3.1 Members of the SPSTG are appointed by the Authority after considering nominations from interested parties.
- 3.2 Membership is expected to be around 10 and comprise market participants drawn from the following categories:
 - (a) generators;
 - (b) large industrial consumers;
 - (c) retailers;
 - (d) financial intermediaries/brokers; and
 - (e) the Authority's service providers.
- 3.3 Nominations will only be accepted from individuals who have at least one of the following:
 - (a) experience in the wholesale market settlement process;
 - (b) knowledge of the wholesale market prudential assessment system;
 - (c) dealt in wholesale market indexed financial derivatives which may form part of the wholesale prudential security assessment mix; or

(d) the ability to explore issues in a team environment.

3.4 The SPSTG:

- (a) has an independent Chair appointed by the Authority;
- (b) will be supported by a secretariat organised by the Authority; and
- (c) will receive materials for its consideration from the Authority.

3.5 The Chair and secretariat are not members of the SPSTG.

4 Tenure

4.1 The Chair and members will be appointed for a period of one year, or until the SPSTG is disestablished by the Authority (whichever occurs first).

4.2 In the event the SPSTG is not disestablished, the members and the Chair may be reappointed for further terms of up to one year (at the Authority's discretion).

4.3 The Authority reserves the right at any time to disestablish the SPSTG.

4.4 The Authority may, after consultation with the person concerned, end a person's membership of SPSTG by written notice to the person without giving reasons.

5 Responsibility of the Authority

5.1 The Authority will:

- (a) appoint an independent Chair, provide staff and a secretariat for the SPSTG, and will procure legal advice as required;
- (b) set the objectives and expected outcomes of the SPSTG;
- (c) approve proposed Code amendments, market facilitation measures and related analysis for the consideration of the SPSTG;
- (d) report to the Authority Board on any matters relating to the SPSR as required; and
- (e) convey relevant views, policies and decisions of the Authority to the SPSTG.

5.2 The Authority will appoint a staff member to act as the interface between the SPSTG and the Authority.

6 Chair

6.1 The key responsibilities of the Chair include:

- (a) to ensure the SPSTG achieves its objectives;
- (b) to facilitate and guide discussions between members so that they are relevant and effective while ensuring that genuine disagreements are aired and, where possible, resolved;
- (c) to conduct efficient meetings;
- (d) to be the main point of communication between the Authority and the SPSTG; and
- (e) to manage issues through to resolution.

7 Responsibility of members

7.1 Members must:

- (a) comply with the requirements set out in the Terms of Reference;
- (b) not promote or represent their own organisations over the interests of the SPSTG or its objectives;
- (c) be available for all SPSTG meetings unless granted leave under paragraph 11.1;
- (d) read all SPSTG papers circulated and actively contribute to the discussions of the SPSTG;
- (e) carry out the tasks for the SPSTG arising from the agenda for each SPSTG meeting; and
- (f) inform the Chair of any actual or potential conflicts of interest that may affect their ability to perform their functions as a member of SPSTG;

8 Administration

8.1 The activities of the SPSTG must be as transparent as practicable, and unless specifically agreed otherwise:

- (a) required materials, including proposed Code amendment analysis and drafts of the Code amendment consultation paper, will be circulated in advance of meetings to the extent practicable;
- (b) materials produced for the SPSTG will be published on the Authority's website; and
- (c) minutes of all meetings will be published once confirmed.

8.2 While consensus will be sought at SPSTG meetings, at times it may be necessary to accept multiple views. In such cases, the differing views will be recorded in the meeting minutes.

9 Meetings and time requirements

9.1 An SPSTG meeting may be held by a number of the members that constitute a quorum at the date and time appointed for the meeting.

9.2 The Authority recognises that aspects of the nature of the group, such as the high frequency of meetings, with potentially short notice will mean that members may not be available to attend meetings in person. Although the Authority prefers that members attend in person, it is recognised that a member's attendance need to be achieved through teleconference or other electronic means.

9.3 It is estimated there will be numerous part day meetings held in Wellington leading up to the target date of 31 March 2013 for publishing a Code amendment consultation paper.

10 Quorum

10.1 A quorum for SPSTG meetings is:

- (a) half the Group's members if the Group has an even number of members; or
- (b) one less than a majority of members if the Group has an odd number of members.

10.2 Whilst no business (which includes approving minutes) may be transacted at a Group meeting if the quorum is not met, those members who are in attendance may still engage in discussion around the previously intended subject matter of the meeting to assist the Authority in further the project.

10.3 No SPSTG decisions may be taken at a meeting while a quorum is not present.

- 10.4 Members of the SPSTG are entitled to send an alternate in their place if they cannot attend a meeting, with prior approval from the Chair. The Authority strongly urge that such alternates are well briefed in preparation for meetings.

11 Attendance

- 11.1 It is hoped that members will be able to attend all meetings of the SPSTG. Not attending meetings will substantially lessen a member's contribution to the work of the SPSTG.

12 Reporting arrangements

- 12.1 Routine reporting to the Authority will be via the Chair and any issues of concern should be escalated to the Chair by members as they arise.
- 12.2 In the normal course of events, the nominated Authority staff member will ensure that the views of the SPSTG are captured in any relevant papers presented to the Board.

13 Confidentiality

- 13.1 Where information shared at meetings is specifically identified as confidential, that confidence will be respected by including an oblique reference only to the information concerned, in the published minutes.
- 13.2 Unless there is a specific reason to the contrary, reports submitted to or produced by the SPSTG will not be treated as confidential and will be subject to the requirements of the Official Information Act 1982.
- 13.3 The Authority will arrange for all non-confidential reports, including reports or presentations submitted to the SPSTG to be published on the Authority's website for public viewing.