

Minutes of MDAG meeting - 3 August 2023

MDAG members attending: Antony Oosten, Paul Baker, Rebecca Osbourne

Observers, secretariat, and EA attending: Stephen Batstone, Ramu Naidoo, James Tipping, Doug Watt, Michael Chapman

Apologies: Fiona Wiseman, Paul Sullivan, Seb Brown, Tony Baldwin, David Hunt, James Innes, Al Yates

Stephen Batstone chaired the meeting in the absence of Tony Baldwin.

Meeting opens 10.05am.

Discussion on submissions to the options paper

The group discussed key points in submissions where parties did not support MDAG's preferred options. In particular:

C1 (monitor provision + uptake of DSF-rewarding tariffs) – opposition from Contact and Flick. The group noted that opposition mostly surrounded concerns that the business case for monitoring was not proven. The group discussed the intent of this option, particularly its effect of increasing transparency around the progress being made in the development and uptake of DSF tariffs, rather than shifting the dial on DSF per se. The group also noted that, if designed well, this shouldn't cause significant costs on retailers. The group also noted that the Electricity Authority proposes a similar option in its Distribution Pricing Reform consultation and is exploring how it might change its monitoring of the retail market.

C2 (sunset profiling if smart meters in place) – partial opposition from Contact. The group noted that retail-level data should be used if it is available, and that Distribution Pricing Reform consultation also suggests this option. The group discussed the uptake of time-of-use pricing as a factor.

C3 (require retailers to offer DSF tariffs) – opposition from a variety of parties. The group noted the common opposition being that a requirement may stifle innovation rather than promote DSF. The group discussed the limited effectiveness of this option in encouraging customers to alter time-of-use. The group also noted that more information (C1) will inform the need and / or effectiveness of a requirement (C3) and discussed the need to educate consumers and improve the visibility of DSF tariffs (C14). The group noted the limitations of C3 but agreed that it should remain under consideration to pursue if progress is not observed in the DSF environment.

C4 (develop standardized shape-related hedge products to reward DSF) – opposition from Contact. The group noted that some demand response products aimed at larger users are being developed and used, and the need for products that target other consumers, noting the linkages to options C1-C3. The group also discussed the merits of standardizing products compared to allowing natural growth and innovation of the market.

C5 (provide significant funding for pilots/trials to kick-start dynamic tariff use) – opposition from MEUG. The group noted opposition to this option is consistent with the general theme of MEUG's submission that the large cost isn't justified by the benefits as articulated in the paper. However, there were plenty of submissions in support, and that any establishment of a large fund for DSF trials would have to be accompanied by a robust cost-benefit analysis. The group discussed potential avenues for funding.

C6 (use customer compensation scheme to reward DSF – *not preferred by MDAG*) – only Solar Zero supported this option. The group noted SolarZero’s submission. The group discussed the purpose of the CCS being a preventative measure making it a not fit-for-purpose for vehicle for rewarding DSF.

C7 (Negawatt scheme for wholesale market – *not preferred by MDAG*) – the group noted that at the time of writing the options paper, similar schemes globally were having mixed success, and since then the Australian scheme has had some success. The group discussed the merits of a negawatt scheme, including the risks of misconduct, potential sources of payment, and issues of market access. **ACTION** – Stephen Batstone to further consider this option and come back to the group.

C8 – the group noted there was no disagreement among submitters.

C9 (FSR – accelerate new ancillary services for DSF uptake – *not preferred by MDAG*) – some disagreement, namely from Enel X, MEUG, NZWEA and SolarZero. The group clarified that the option related to accelerating the *implementation* of markets for new ancillary service products ahead of their need, rather than the acceleration of their *design*. The Authority’s Future, Security and Resilience project is looking at this and the group supports the FSR’s ownership of this question.

C10 (procurement process for high-scarcity DSF (RERT)) - no substantial disagreement with this option among submitters. The group noted that this option was positioned as a “backup” option to be considered in future, particularly in the context of wider discussions about winter peak products. It is also closely linked to MDAG’s Option A4 – new reserve product to cover sudden reduction from intermittent sources.

C11 (distribution pricing reflects network needs so wholesale market participants can optimize wholesale and network value streams) – opposition from Solar Zero and Enel X. The group reinforced the strong role distribution pricing will play in encouraging DSF products, and whether distribution pricing reform is necessary. Again, the group noted that the Electricity Authority’s Distribution Pricing Reform consultation.

C12 (investigate extending LMP into distribution networks) – opposition from Contact, Enel X, and Transpower. Ramu and Rebecca explained that Transpower’s primary argument is that the costs outweigh the benefits, and that this is an initiative better suited for later in the transition. The group discussed the relative priorities of distributors and the Authority, and how this option may come with significant resource and time cost, and that more practical avenues for real-time valuation of flexibility could be dynamic operating envelopes, which are being explored by the distribution sector.

C13 (provide info to help large users with upcoming DSF investment decisions) – opposition from Contact and MEUG. The group discussed MEUG’s primary argument – that a culture change is required to facilitate this option. Antony clarified that MEUG are concerned that there should be greater emphasis put on understanding the barriers consumers face to demand-side flexibility, by engaging with consumers, rather than simply providing them with more information. The group also discussed whether there should be stronger encouragement (standards or obligations) for newly electrified load to be flexible, especially those that are more dynamic in their consumption .

C14 (Provide info to help domestic customers with DSF decisions) – opposition from Contact and MEUG for similar reasons as C13. The group noted that a lot of information was already being required to be provided to consumers, and that information overload could occur. However, the group noted that Powerswitch was an obvious route through which mass market consumers’ could quantify the benefits of DSF-rewarding tariffs, if the Powerswitch website was improved to be ‘smarter’.

Any other business

The group noted that some submissions suggested alternative options, and that these had already been triaged by the Secretariat.

Meeting closed at 12:00pm