

Minutes - MDAG meeting Wednesday 26 July 2023

MDAG members attending: Tony Baldwin, Fiona Wiseman (left 11.45), Rebecca Osbourne, Paul Baker

Observers, secretariat, and EA attending: Stephen Batstone, David Hunt, James Innes, Ramu Naidoo, Michael Chapman, Paul Sullivan, Paul Baker (left 10.40am), James Tipping (joined 11.35)

Apologies: Matthew Cleland, Al Yates, Andrew Kerr, Seb Brown

Meeting opens 10.32am

Minutes of previous meeting were confirmed. **ACTION** – secretariat to publish the minutes.

Update on communications

Michael Chapman provided an update on the communications plan. The group noted that the EA will notify the public about the revised timeline (and publish all Phase 3 meeting materials to-date) shortly after informing its Board – expected to be mid-August.

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:

B1 (greater transparency of hedge info) – Contact's opposition. The group noted that the opposition to this option is tied to Contact not seeing how it would improve security of supply. The group discussed concerns expressed by some parties around the significant transaction costs – especially without clarity of what information is being captured – and the potential to require greater visibility of internal transfer prices within vertically integrated companies. **ACTION** – Secretariat to reflect on this and see if the language can be tweaked to draw a better picture of how the MDAG sees the potential benefits of the option relative to its costs.

The group noted this option has been picked up as a work program by the EA ([Improving the Hedge Disclosure Obligations - Consultation paper published | Electricity Authority \(ea.govt.nz\)](#)) and that the MDAG will have an opportunity to comment on this proposal. **ACTION** – Paul Sullivan to answer questions about the hedge disclosure paper asked via email.

B2 (market making for longer dated futures) – Contact's opposition. The group noted Contact's claim that this option will occur naturally and doesn't need specific rules. The group discussed the importance of getting liquidity into this market. The group noted Stu Innes' offer to provide input for this option. **ACTION** – Tony Baldwin to approach Stu Innes for input. **ACTION** – Paul Sullivan to answer questions about the EA's Commercial Market Making project via email.

B3 (publish aggregated information on pipeline of new developments, energy and capacity adequacy). The group noted there was not a major objection to this option, but more that the case for it required further development.

B5 (develop standardized shape products) – opposition from Contact and Genesis. The group discussed the difficulties of developing a mandated shaped product in a rapidly changing market, but also noted that waiting for products to emerge may not be desirable. The group noted the importance of option B1 to this option, as having greater information will help convey what shapes of products are most useful. The group noted that it would be useful to know if Contact's claim that "the market is delivering this" is evidenced, but at this stage the group's view hasn't changed on where this measure is positioned.

ACTION – Tony Baldwin to approach Stu Innes for his input on this option.

B6 (develop long-term flexibility access code) – Contact objection, Genesis partially supported. The group noted the primary objection to this option was that better evidence is needed before it is developed. The group noted the sequential nature of MDAG’s risk-management options, with B1 first, B3 second, and B6 following, and that Contact’s objection is consistent with the MDAG’s approach that this would be an evidence-based measure.

B7 (extend trading conduct rules for hedge markets). The group discussed the application of this option to OTC markets, and that significant work is necessary to apply the existing high standard rule across the contracts market.

B8 (market making in caps or other shaped products) – Contact objection. The group discussed the opposition to this option – that it is unnecessary and keeping transaction and administration costs low should be the priority.

B9 (capacity mechanisms) – Epoch and Genesis objection to this option not being preferred by MDAG. The group noted that these submitters propose this option be retained in the possible mix of options. The group discussed the merit of strengthening discussion around why this option is not preferred as back up, compared to other priorities. **ACTION** – secretariat to include greater discussion of why this option is not preferred.

D1 (develop dashboard of competition indicators for flexibility segment of wholesale market) – MUEG partial objection. The group noted MEUG’s objection was to request further information on what information will be on the dashboard.

D6 (physical disaggregation of flexible generation base) – this is not preferred by MDAG, but independent retailers support his option. The group discussed the position in the paper that virtual disaggregation would not address the underlying problem of concentrated ownership of hydro storage. The group discussed whether seeking further feedback from submitters would be useful. **ACTION** – secretariat to better articulate the MDAG’s position on this option and consider further consultation on this option.

D8 (price caps applied in the electricity spot market) – no disagreement with MDAG’s rejection of this option.

Next steps

During the August period MDGA will break into sub-groups. The group will meet next week to work through remaining options and discuss how the sub groups will work.

Any other business

The group noted that a new Chair of the Electricity Authority Board has been appointed – Anna Kominik. The MDAG Chair will be meeting with the new EA Chair in due course.

Meeting closes 12.08pm