

CHAIR'S ANNUAL REPORT  
JULY 2017 TO JUNE 2018

MARKET  
DEVELOPMENT  
ADVISORY  
GROUP

**Note:** This paper has been prepared for the purpose of reporting on the activities of the Market Development Advisory Group. Content should not be interpreted as representing the views or policy of the Electricity Authority.

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## 1. Introduction

- 1.1.1 The Market Development Advisory Group (MDAG) was formed by the Electricity Authority (Authority) in October 2017. The MDAG provides independent advice to the Authority on the development of the Electricity Industry Participation Code 2010 and market facilitation measures.
- 1.1.2 The MDAG focuses its advice on matters relating to the evolution of the 'machinery' of the electricity market. Specifically, under its [terms of reference](#) the MDAG can advise on:
- a) initiatives to promote efficient pricing in markets and for monopoly services, including:
    - i) improving market pricing mechanisms such as real-time pricing, wind offers, and demand forecasting
    - ii) improving administered prices and cost-allocation methods such as distribution pricing, distributed generation pricing principles, cost allocation of ancillary services
  - b) initiatives to promote efficient management of capacity and energy risks, including:
    - i) improving management of capacity and real-time operational risks
    - ii) improving management of energy risks, such as dry year security of supply risks
    - iii) evolution of the hedge market
  - c) any other policy matters that the Authority considers appropriate.
- 1.1.3 The MDAG's terms of reference require the Chair to report annually to the Authority Board on the MDAG's progress against its work plan. This is the MDAG's first annual report, covering its activities from July 2017 to June 2018 (reporting period).
- 1.1.4 The two projects on the MDAG's work plan in the reporting period were the *Review of spot market trading conduct provisions*, and *Saves and win-backs*.
- 1.1.5 Subsequent to the reporting period, in a letter dated 10 August 2018, the MDAG asked the Authority for clarification regarding the extent of the group's independence, particularly when considered in relation to section 6.4 of the MDAG's terms of reference.

## 2. Membership and meetings

### 2.1 Membership

- 2.1.1 Short biographies of all MDAG members can be found on the Authority's website at <https://www.ea.govt.nz/development/advisory-technical-groups/mdag/membership/>.
- 2.1.2 Table 1 below sets out the affiliation, term of appointment and meeting attendance record of MDAG members for the reporting period.

**Table 1: MDAG membership information for July 2017 to June 2018**

Member	Affiliation	Appointment term			Meeting attendance
		Start	End	Length	
James Moulder (Chair)	Independent	June 2017	May 2020	3 years	6 of 6
James Flannery	Manager Fuels Trading, Contact Energy	October 2017	September 2020	3 years	6 of 6
James Flexman	Wholesale Markets Manager, Mercury	October 2017	September 2020	3 years	6 of 6
Darren Gilchrist	Energy Manager, Oji Fibre Solutions	October 2017	September 2019	2 years	6 of 6
Stu Innes	Chief Executive, emhTrade	October 2017	September 2019	2 years	5 of 6
Rebecca Osborne	Regulatory Affairs and Pricing Manager, Transpower	October 2017	September 2020	3 years	5 of 6
Bruce Rogers	Pricing Manager, Orion	October 2017	September 2019	2 years	6 of 6
Matt Rowe	Manager – Energy Procurement Advisory Services Australia/NZ, EnerNOC	October 2017	September 2019	2 years	6 of 6
James Tipping	Strategy and Portfolio Manager, Trustpower	October 2017	September 2020	3 years	3 of 6 <sup>1</sup>

2.1.3 Subsequent to the reporting period, in August 2018 James Moulder resigned as Chair due to other commitments.

2.1.4 As required under the [Crown Entities Act 2004](#), the MDAG also maintains an interests register setting out interests disclosed and any permissions granted to act.

## 2.2 Meetings

2.2.1 The MDAG met six times in the reporting period, detailed in Table 2 below.

<sup>1</sup> James Tipping was overseas from April to July 2018 and was granted a leave of absence by the Chair from attending MDAG meetings during this period.

**Table 2: MDAG meeting dates**

#	Date	Notes
1	28 November 2017	At the Authority's offices in Wellington
2	8 February 2018	At the Authority's offices in Wellington, including lunch with the Innovation and Participation Advisory Group (IPAG)
3	15 March 2018	Hosted by Mercury in Auckland
4	10 April 2018	At the Authority's offices in Wellington
5	3 May 2018	At the Authority's offices in Wellington, including a joint meeting with the IPAG to provide input into the Authority's work programme planning for the 2018/19 financial year
6	26 June 2018	At the Authority's offices in Wellington

### 2.2.2 At the MDAG Chair's invitation:

- a) Murray Henderson (Principal Market Analyst, System Operations, Transpower) attended MDAG meetings as an observer from the system operator from the 15 March meeting onwards
- b) Phillip Anderson from City Financial, Rebekah Cain and Julian McCree from Genesis Energy, Phil Gibson from Mercury, Chris Ewers and Jason Woolley from Meridian Energy, and Toby Stevenson from Sapere Research Group attended the 15 March meeting to discuss their perspectives on the *Review of spot market trading conduct provisions*
- c) Al Yates from Ecotricity, Luke Blincoe from Electric Kiwi, Gary Holden from Pulse Energy, and Johnathan Eele and Graham Walmsley from Vocus Group attended the 15 March meeting to discuss their perspectives on *Saves and win-backs*
- d) Jessica Wilson from Consumer New Zealand attended the 10 April meeting to discuss her perspective on *Saves and win-backs*
- e) Mike Roan and Jason Woolley from Meridian Energy attended the 10 April meeting to discuss their perspectives on the *Review of spot market trading conduct provisions*
- f) Colin Magee from the Financial Markets Authority and Karl Arns from OM Financial attended the 26 June meeting to discuss trading conduct (and its regulation) in other markets to help inform the group's consideration of the *Review of spot market trading conduct provisions*.

### 2.2.3 Meeting papers from all MDAG meetings can be found on the Authority's website at <https://www.ea.govt.nz/development/advisory-technical-groups/mdag/meeting-papers/>.

### 3. Work plan overview

#### 3.1 Review of spot market trading conduct provisions

- 3.1.1 The MDAG started preparation of an issues paper, achieving the 2017/18 Authority work programme milestone.
- 3.1.2 As outlined in paragraph 2.2.2, the MDAG sought input from various stakeholders as it continued its consideration of the problem definition.
- 3.1.3 Table 3 sets out the MDAG's progress on the project in the reporting period.

**Table 3: MDAG progress on *Review of spot market trading conduct provisions***

Activity	Dates	Status
MDAG agrees to include project in work plan	28 November 2017	Completed
MDAG agrees project plan	8 February 2018	Completed
MDAG agrees problem definition	June 2018	Ongoing

- 3.1.4 The project is on track to meet the 2018/19 Authority work programme milestone (MDAG publish a discussion paper, if any). The latest project plan can be found on the Authority's website at <https://www.ea.govt.nz/dmsdocument/24214-updated-trading-conduct-project-plan>.

#### 3.2 Saves and win-backs

- 3.2.1 The MDAG completed consultation on an issues paper, achieving the 2017/18 Authority work programme milestone. The issues paper is available on the Authority's website at <https://www.ea.govt.nz/dmsdocument/23465>.
- 3.2.2 As outlined in paragraph 2.2.2, the MDAG sought input from various stakeholders while developing its issues paper.
- 3.2.3 Table 4 sets out the MDAG's progress on the project in the reporting period.

**Table 4: MDAG progress on *Saves and win-backs***

Activity	Dates	Status
MDAG agrees to include project in work plan	28 November 2017	Completed
MDAG considers draft project plan	8 February 2018	Completed
MDAG considers and agrees preliminary problem definition	8 February 2018	Completed
Draft issues paper circulated to MDAG	8 March 2018	Completed

MDAG considers and advises on draft issues paper	15 March 2018	Completed
MDAG finalises draft issues paper	20 April 2018	Completed
Authority Board provides feedback on draft issues paper	2 May 2018	Completed
MDAG finalises issues paper for release	17 May 2018	Completed
Issues paper released	22 May 2018	Completed
Submissions close	29 June 2018	Completed

- 3.2.4 The project is on track to meet the 2018/19 Authority work programme milestone (Authority to decide response to MDAG recommendations on saves protection scheme). The latest project plan can be found on the Authority's website at <https://www.ea.govt.nz/dmsdocument/24212-updated-saves-and-win-backs-project-plan>.

## 4. Chair's commentary on the performance of the MDAG and the secretariat

- 4.1.1 The diverse membership of the MDAG has served the group well in considering two relatively contentious issues. The perspectives of large and small generators and consumers, traders and other service providers has made for a number of harmonious and focused meetings where progress has been made in identifying the issues and considering their implications. The speed with which the Group turned around the *Saves and win-backs* issues paper is worthy of particular mention.
- 4.1.2 The group has strongly benefited from the input of Murray Henderson from the system operator. Murray has a standing invitation to attend sessions where some timely insight from the system operator can expedite the consideration of issues before the Group.
- 4.1.3 The MDAG has had the benefit of an efficient and effective support group from the Authority. I am particularly grateful to the administrative efforts of Avi Singh, the economic rationality of Alistair Dixon, and the practical market insights of Tim Street.
- 4.1.4 My resignation from the Group should in no way adversely impact on the consideration of the issues and the wider work plan. I wish the Group all the best in its future endeavours.

**James Moulder**

*Chair (June 2017 – August 2018)*

**Market Development Advisory Group**