

CHAIR'S ANNUAL REPORT JULY 2018 TO JUNE 2019

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 second annual report, covering its activities from July 2018 to June 2019 (reporting period).
- 1.1.4 The three projects on the MDAG's work plan in the reporting period were *Saves and win-backs*, *Review of spot market trading conduct provisions*, and *Participation of new generating technologies in the wholesale market*.

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 current MDAG members for the reporting period.

Table 1: MDAG membership information for July 2018 to June 2019

Member	Affiliation	Membership term			Meeting attendance
		Start	End	Length	
Tony Baldwin (Chair)	Independent	December 2018	May 2020	1 year and 6 months	5 of 5
James Flannery	<i>Manager Fuels Trading, Contact Energy</i>	October 2017	September 2020	3 years	7 of 8
James Flexman	<i>Wholesale Markets Manager, Mercury Energy</i>	October 2017	September 2020	3 years	8 of 8
Darren Gilchrist	<i>Energy Manager, Oji Fibre Solutions</i>	October 2017	September 2019	2 years	8 of 8
Stu Innes	<i>Chief Executive, emhTrade</i>	October 2017	September 2019	2 years	8 of 8
Rebecca Osborne	<i>Regulatory Affairs and Pricing Manager, Transpower</i>	October 2017	September 2020	3 years	8 of 8
Bruce Rogers	<i>Pricing Manager, Orion</i>	October 2017	September 2019	2 years	8 of 8
Matt Rowe	<i>Manager – Energy Procurement Advisory Services Australia/NZ, EnerNOC</i>	October 2017	September 2019	2 years	7 of 8

2.1.3 During the reporting period, two MDAG members resigned their positions as set out in Table 2 below.

Table 2: MDAG membership information (former members)

Member	Affiliation	Membership term		Meeting attendance
		Start	Resigned	
James Moulder (Chair)	Independent	June 2017	August 2018	1 of 1
James Tipping	<i>Portfolio and Strategy Manager, Trustpower</i>	October 2017	June 2019	8 of 8

2.1.4 Bruce Rogers served as Acting MDAG Chair between the resignation of James Moulder and the appointment of Tony Baldwin.

2.1.5 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 nine times in the reporting period, detailed in Table 3 below.

Table 3: MDAG meeting dates

#	Date	Notes
1	7 August 2018	At the Authority's offices in Wellington
2	5 September 2018	At the Authority's offices in Wellington, including a session at the Authority Board's strategy day
3	6 November 2018	At the Authority's offices in Wellington
4	5 December 2018	At the Authority's offices in Wellington
5	26 February 2019	At the Authority's offices in Wellington
6	26 March 2019	At the Authority's offices in Wellington
7	7 May 2019	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 2019/20 financial year
8	8 May 2019	At the Authority's offices in Wellington, a joint two hour meeting with the IPAG and Authority Board was held.
9	19 June 2019	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 all the MDAG meetings as an observer
- b) Jenny Stevens and Laura Hardcastle from Bell Gully attended the 5 September meeting to discuss what they would expect the courts to consider when analysing a trading conduct case to help inform the MDAG's consideration of the *Review of spot market trading conduct provisions*
- c) Luke Blincoe from Electric Kiwi attended the 5 September meeting to discuss his perspective on *Saves and win-backs*
- d) David Reeve from Sapere Research Group and Simon Coates from Concept Consulting attended the 7 May meeting to present on a low-emissions future to help inform MDAG's consideration of *Participation of new generating technologies in the wholesale market*.

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 Saves and win-backs

3.1.1 The MDAG finalised a recommendations paper and submitted it to the Authority Board. The Authority Board subsequently responded to the MDAG's recommendations paper, achieving the 2018/19 Authority work programme milestone. The MDAG's recommendations paper is available on the Authority's website at <https://www.ea.govt.nz/development/work-programme/consumer-choice-competition/saves-and-win-backs/development/#c18054>.

3.1.2 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
Summary and analysis of submissions on issues paper (released by MDAG on 29 June 2018)	February 2019	Completed
MDAG finalises recommendations paper	12 March 2019	Completed
MDAG submits recommendations paper to Authority Board	12 March 2019	Completed
Board considers suggested next steps	4 April 2019	Completed

3.1.3 The MDAG has now completed all of the tasks requested of it by the Authority on *Saves and win-backs*.

3.2 Review of spot market trading conduct provisions

3.2.1 In February 2019, MDAG published an updated and more comprehensive slide pack on problem definition and possible options. In addition, analysis was undertaken for MDAG by Concept Consulting on various issues relating to trading conduct, and further advice was obtained from Bell Gully.

3.2.2 A briefing pack was published in June 2019, achieving the 2018/19 Authority work programme milestone, inviting market participants to attend a Briefing and Discussion on 30 July 2019.

3.2.3 Table 5 sets out the MDAG's progress on the project in the reporting period.

Table 5: MDAG progress on *Review of spot market trading conduct provisions*

Activity	Dates	Status
MDAG issues slide pack on updated problem definition and possible options	February 2019	Completed
MDAG commissioned Concept Consulting to undertake various analyses	March-June 2019	Ongoing
MDAG issues pack for Briefing and Discussion	June 2019	Completed

- 3.2.4 The project has met the 2018/19 Authority work programme milestone which was: MDAG to publish discussion paper if any by 30 June 2019.

3.3 Participation of new generating technologies in the wholesale market

- 3.3.1 The Authority asked MDAG to consider undertaking this project. MDAG held a brain-storming workshop and, after careful consideration of the key outcomes of that workshop (as reflected in a paper prepared for MDAG by Concept Consulting), MDAG intends to recommend that the Authority set up a medium to long term project to undertake a fundamental review of the Code against a set of principles, including the notion of technology neutrality, and that the Authority consult with MDAG on particular elements of that project as and when appropriate.

4. Chair's brief commentary

- 4.1.1 I joined the MDAG as Chair in December 2018 following the resignation of James Moulder in August 2018.
- 4.1.2 All members have made valuable contributions to MDAG, which continues to play a positive role in the process of seeking on-going improvement to New Zealand's electricity market.
- 4.1.3 Murray Henderson, from the system operator, has continued to provide useful insights in his role as an observer. The MDAG has also continued to benefit from efficient and effective support from the Authority.
- 4.1.4 MDAG has indicated to the Authority that it would welcome the Authority making more dynamic use of MDAG, calling on the group's views and expertise on market development issues as they arise, and that the group is willing to operate in a more dynamic manner to provide such input.

Tony Baldwin



Chair (December 2018 –)
Market Development Advisory Group