

CHAIR'S ANNUAL REPORT JULY
2019 TO JUNE 2020

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
 - b) initiatives to promote efficient management of capacity and energy risks
 - 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 third annual report, covering its activities from July 2019 to June 2020 (reporting period).
- 1.1.4 The two projects on the MDAG's work plan in the reporting period were *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.
- 2.1.3 During the reporting period, the terms of three MDAG members elapsed, details are set out in **Table 2**.
- 2.1.4 Tony Baldwin at the 7 May Electricity Authority Board Meeting was reappointed as Chair of MDAG for the period of one year from 1 June 2020 to 31 May 2021.

Table 1: MDAG membership information for July 2019 to June 2020

Member	Affiliation	Membership term			Meeting attendance
		Start	End	Length	
Tony Baldwin (Chair)	Independent	December 2018	May 2021	3 years 5 months	9 of 9
James Flannery	<i>Manager Fuels Trading,</i> Contact Energy	October 2017	September 2020	3 years	9 of 9
James Flexman	<i>Wholesale Markets Manager,</i> Mercury Energy	October 2017	September 2020	3 years	9 of 9
Paul Baker	Commercial and Regulatory Manager, Nova Energy	September 2019	September 2022	3 years	9 of 9
Stu Innes	<i>Chief Executive,</i> emhTrade	October 2019	September 2022	3 years	8 of 9
Rebecca Osborne	<i>Regulatory Affairs and Pricing Manager,</i> Transpower	October 2017	September 2020	3 years	8 of 9
Andrew Kerr	Regulatory and Pricing Strategy Manager Powerco	September 2019	September 2022	3 years	8 of 9
Stu Innes	Chief Executive emhTrade	September 2019	September 2022	3 years	8 of 9
Ann Whitfield	Partner, HoustonKemp Economists	September 2019	September 2022	3 years	9 of 9
Al Yates	Chief Executive Officer, Ecotricity	September 2019	September 2022	3 years	8 of 9
Murray Henderson (Observer)	Principal Market Analyst	N/A	N/A	N/A	9 of 9

Table 2: MDAG membership information (former members)

Member	Affiliation	Membership term		Length	Meeting attendance
		Start	Term Ended		
Matt Rowe	<i>Manager – Energy Procurement Advisory Services Australia/NZ, EnerNOC</i>	October 2017	September 2019	2 years	2 of 2
Darren Gilchrist	<i>Energy Manager, Oji Fibre Solutions</i>	October 2017	September 2019	2 years	2 of 2
Bruce Rogers	<i>Pricing Manager, Orion</i>	October 2017	September 2019	2 years	2 of 2

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	30 July 2019	Bell Gully, Vero Centre, Level 22 Shortland St, Auckland
2	04 September 2019	At the Authority's offices in Wellington
3	30 October 2019	At the Authority's offices in Wellington
4	17 December 2019	At the Authority's offices in Wellington and via Zoom
5	04 February 2020	At the Authority's offices in Wellington and via Zoom
6	19 February 2020	At the Authority's offices in Wellington and via Zoom
7	21 April 2020	Via Zoom
8	19 May 2020	Via Zoom
9	17 June 2020	Via Zoom

2.2.2 At the MDAG Chair's invitation:

- a) Concept Consulting presented a report "Capacity markets and energy - only markets – a survey of recent developments" commissioned by Meridian Energy to the MDAG
- b) Nevil Gluyas (Jarden Consulting) also presented to the MDAG on 'energy-only markets' at the 19 May 2020 meeting.

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 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.
- 3.1.2 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.
- 3.1.3 Table 4 sets out the MDAG's progress on the project in the reporting period.

Table 4: MDAG progress on *Review of spot market trading conduct provisions*

Activity	Dates	Status
MDAG holds stakeholder briefing	30 July 2019	Completed
Draft Review of spot market trading conduct provisions discussion paper discussed at Authority Board Meeting	06 December 2019	Completed
Review of spot market trading conduct provisions discussion paper released for consultation	25 February 2020	Completed
MDAG conducts Stakeholder briefings	3 & 5 March 2020	Completed
Close of consultation and cross submissions	27 May 2020	Completed
Bi-lateral Stakeholder meetings conducted to discuss <u>draft</u> case studies with submitters	18,19 and 23 June	Completed

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

3.2 Participation of new generating technologies in the wholesale market

The Authority first asked MDAG to consider undertaking this project in February 2019. MDAG made recommendations to the Authority following a thorough investigative process working closely with Authority staff. MDAG recommended 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 principle of competitive neutrality across different technologies, and that the Authority utilise MDAG as a sounding board on particular elements of that project as and when appropriate.

Activity	Dates	Status
MDAG finalises New Generating Technologies recommendation paper	21 April 2020	Completed
MDAG takes New Generating Technologies recommendations paper to Authority Board	4 June 2020	Completed
Authority publishes MDAG's recommendations paper	30 June 2020	In Progress

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.

