

Renewables project: Stage 3 – Draft work plan *For Discussion*

MARKET DEVELOPMENT ADVISORY GROUP



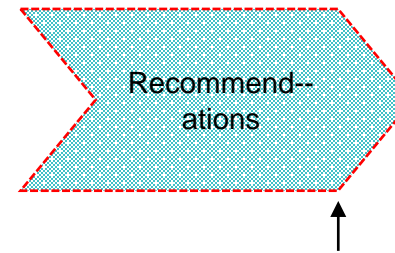
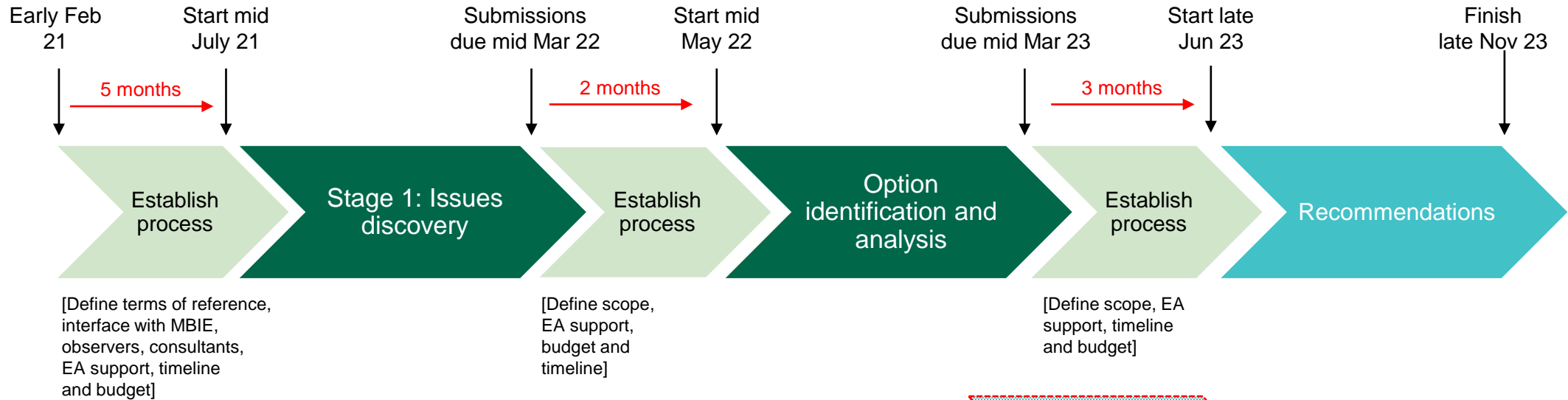
Context and purpose

Where we are at

- **Our first paper** (2 February 2022) set out our analysis of the problem. We engaged in extensive bilateral consultations with stakeholders in preparing that paper and received 29 formal submissions.
- **Our second paper** (6 December 2022) set out our analysis of the options to address the issues outlined in our first paper, and indicated our preferred options. This stage also involved extensive bilateral consultations with stakeholders. We received 33 formal submissions.
- **Our third and final paper** is set out our final recommendations to the Authority and industry, taking into account submissions and further analysis in relation to some options.

This slide pack sets out a **draft work plan** for the third and final stage of the project – for discussion with MDAG

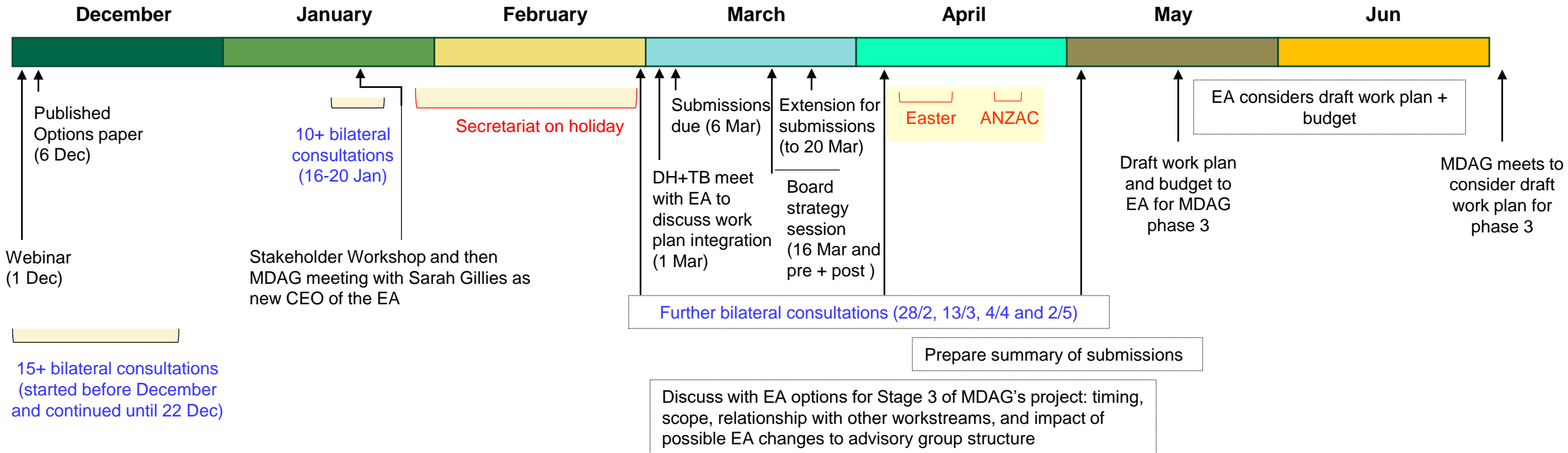
Project timeline to date



Advertised target completion:

We were hoping to have Recommendations paper finished by the end of June, however for various reasons we did not get under way under late June.

Activity since options paper



Who is involved in stage 3

MDAG members:

- Tony Baldwin (Chairperson)
- Paul Baker
- Matthew Cleland
- Stu Innes*
- Dr Andrew Kerr
- Tony Oosten
- Rebecca Osborne
- Fiona Wiseman
- Al Yates

* To advise

Observers:

- Conrad Edwards – [Consultant]
- Dr Ramu Naidoo – Transpower New Zealand
- Dr James Tipping – Vector
- Paul Sullivan – Manager Policy, Wholesale Markets, Electricity Authority

Secretariat:

- Dr Stephen Batstone - Wayne Manor Advisory
- John Culy - JC2
- David Hunt - Concept Consulting
- James Innes - Concept Consulting
- Michael Chapman – Policy Analyst, Wholesale Markets, Electricity Authority

Our process goal

Consistent with our approach to date, our goal is to deliver a final report to the Electricity Authority (and the wider industry) that:

- Builds on our preceding Issues and Options papers;
- Properly considers submissions;
- Follows a process enabling engagement with stakeholders;
- Is analytically rigorous;
- Achieves a high degree of consensus among MDAG members in their capacity as independent participants in the group; and
- Is delivered within an agreed budget and timeline.

Our policy goal

- As set out in our Options Paper, our policy goal is to report on –

what changed should be made to wholesale electricity arrangements to enable our electricity system to play its role, fully and efficiently, in decarbonising New Zealand's economy



Methodology

Steps for stage 3

The starting point is to **distil the key points for MDAG to review and agree** for our final report. This would involve:

- Recapping key elements and preferred options from our options paper *[see accompanying slide pack]*;
- Reviewing submissions *[see accompanying slide pack]*
- Identifying any elements that may require further analysis
- Factoring in related work that the EA has underway.

We would then work through the list of key points to be agreed in a systematic manner.

In addition, there are some preferred options where it would be helpful for us to consider more thoroughly how they would work in practice (as proof of concept). The benefits of this approach include:

- Helping to test and validate the relevant preferred option
- Helping to build consensus among MDAG members, and
- Helping the EA in delivering measures required for early 2024

Approach to ‘proof of concept’ work

We would form small working groups, drawing on MDAG, the EA and (in one case) external practitioners.

The analytical work would be done by the secretariat and they would liaise with the working group to exchange ideas and look for input.

The three options we would test for ‘proof of concept’ are:

D7	High level outline of virtual disaggregation ('backstop' option)
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B4	Enhance stress testing regime
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E2	Regular briefings for Ministers and officials on current and expected conditions
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A working group would also be formed to contribute to these two measures, which the EA is currently working on:

B1	Greater transparency of hedge info (esp non-base load) covering offers, bids + agreed prices
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C1	Monitor provision + uptake of DSF-rewarding tariffs (incl automation)
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Suggested working groups

My suggested allocation of members to working groups is set out below. Keep in mind that each stream will flow back to MDAG as a group

D7 High level outline of virtual disaggregation ('backstop' option)

- Rebecca O
- Matt C
- James T
- [EA person]
- MDAG secretariat

B1 Greater transparency of hedge info (esp non-base load) covering offers, bids + agreed prices

C1 Monitor provision + uptake of DSF-rewarding tariffs (incl automation)

B4 Enhance stress testing regime

- Fiona W
- Paul B
- Ramu N
- [EA person]
- MDAG secretariat

E2 Regular briefings for Ministers and officials on current and expected conditions

- Andrew K
- Fiona W
- Conrad E
- Two externals (eg John Kidd and Nevil Gluyas)
- [EA person]
- MDAG secretariat

- Al Y
- Tony O
- Stu I
- [EA person]
- MDAG secretariat

Draft work plan

Here is an indicative Gantt chart for the various pieces of this final stage in our project.

Each component is shown in a larger format in the following slides.

'Core' of paper:

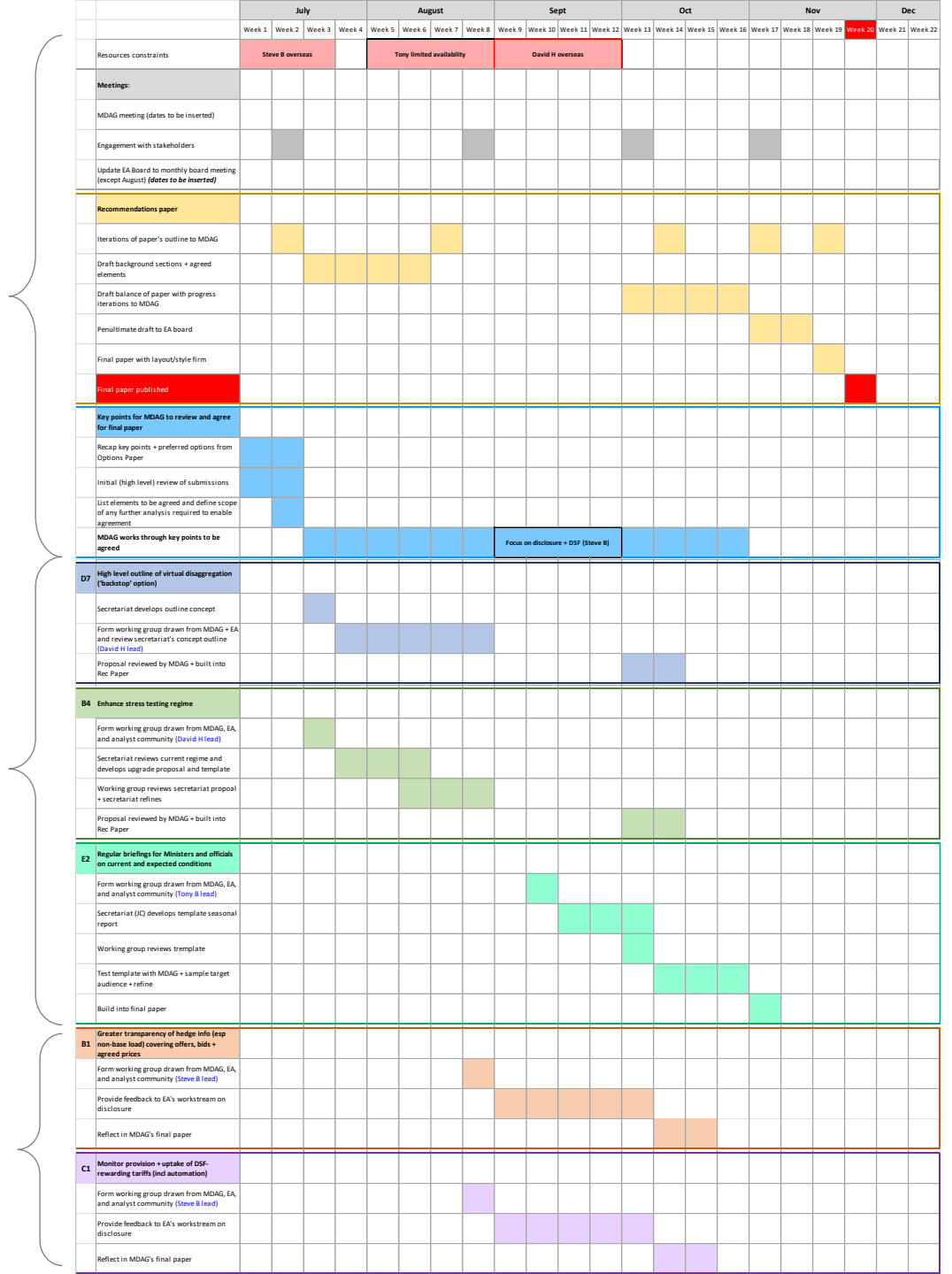
- Meetings:
- Recommendations paper
- Final paper published
- Key points for MDAG to review and agree for final paper

'Proof of concept':

- High level outline of virtual disaggregation ('backstop' option)
- Enhance stress testing regime
- Regular briefings for Ministers and officials on current and expected conditions

Contributing to EA workstreams:

- Greater transparency of hedge info (esp non-base load) covering offers, bids + agreed prices
- Monitor provision + uptake of DSF-rewarding tariffs (incl automation)



Admin and reporting

	July				August				Sept				Oct				Nov				Dec			
	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	Week 14	Week 15	Week 16	Week 17	Week 18	Week 19	Week 20	Week 21	Week 22		
Resources constraints	Steve B overseas				Tony limited availability				David H overseas															
Meetings:																								
MDAG meeting (dates to be inserted)																								
Engagement with stakeholders			█							▨						█								
Update EA Board to monthly board meeting (except August) <i>(dates to be inserted)</i>			↑							↑						↑								

Important to note – We have provided further windows for engagement with stakeholders in bringing our final report together

Core report

	July				August				Sept				Oct				Nov			Dec			
	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	Week 14	Week 15	Week 16	Week 17	Week 18	Week 19	Week 20	Week 21	Week 22	
Resources constraints	Steve B overseas				Tony limited availability				David H overseas														
Recommendations paper																							
Iterations of paper's outline to MDAG																							
Draft background sections + agreed elements																							
Draft balance of paper with progress iterations to MDAG																							
Penultimate draft to EA board																							
Final paper with layout/style firm																							
Final paper published																							
Key points for MDAG to review and agree for final paper																							
Recap key points + preferred options from Options Paper																							
Initial (high level) review of submissions																							
List elements to be agreed and define scope of any further analysis required to enable agreement																							
MDAG works through key points to be agreed																							

'Proof of concept' on certain options – D7 and B4

		July				August				Sept				Oct				Nov				Dec	
		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	Week 14	Week 15	Week 16	Week 17	Week 18	Week 19	Week 20	Week 21	Week 22
Resources constraints		Steve B overseas				Tony limited availability				David H overseas													
D7	High level outline of virtual disaggregation ('backstop' option)																						
	Secretariat develops outline concept																						
	Form working group drawn from MDAG + EA and review secretariat's concept outline (David H lead)																						
	Proposal reviewed by MDAG + built into Rec Paper																						
B4	Enhance stress testing regime																						
	Form working group drawn from MDAG, EA, and analyst community (David H lead)																						
	Secretariat reviews current regime and develops upgrade proposal and template																						
	Working group reviews secretariat proposal + secretariat refines																						
	Proposal reviewed by MDAG + built into Rec Paper																						

'Proof of concept' on certain options – E2

		July				August				Sept				Oct				Nov				Dec		
		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	Week 14	Week 15	Week 16	Week 17	Week 18	Week 19	Week 20	Week 21	Week 22	
Resources constraints		Steve B overseas				Tony limited availability				David H overseas														
E2	Regular briefings for Ministers and officials on current and expected conditions																							
	Form working group drawn from MDAG, EA, and analyst community (Tony B lead)																							
	Secretariat (JC) develops template seasonal report																							
	Working group reviews template																							
	Test template with MDAG + sample target audience + refine																							
	Build into final paper																							

Advisory contribution to EA work – B1 and C1 – Transparency

		July				August				Sept				Oct				Nov				Dec							
		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	Week 14	Week 15	Week 16	Week 17	Week 18	Week 19	Week 20	Week 21	Week 22						
Resources constraints		Steve B overseas				Tony limited availability				David H overseas																			
B1	Greater transparency of hedge info (esp non-base load) covering offers, bids + agreed prices																												
	Form working group drawn from MDAG, EA, and analyst community (Steve B lead)																												
	Provide feedback to EA's workstream on disclosure																												
	Reflect in MDAG's final paper																												
C1	Monitor provision + uptake of DSF-rewarding tariffs (incl automation)																												
	Form working group drawn from MDAG, EA, and analyst community (Steve B lead)																												
	Provide feedback to EA's workstream on disclosure																												
	Reflect in MDAG's final paper																												

Completion date and rationale

Our planned date for completion (publication of our final report) is the **last week of November**.

Clearly, this is some months later than the target date (end June) we indicated in our options paper. The reasons for moving our completion date to the end of November are that:

- We have been slower to re-start after submissions closed on our options paper;
- While there is considerable support for our work among stakeholders, we want to make sure that we work through points of disagreement in a robust and rigorous manner;
- We have some constraints in the availability of key people during July, August and September;
- The EA is able progress preferred options that have near unanimous support and do not involve rule changes; and
- It is better for us to ensure that we deliver a rigorous report with a high degree of ‘ownership’ and consensus if possible.

Integration with EA work

EA action in wholesale market improvements

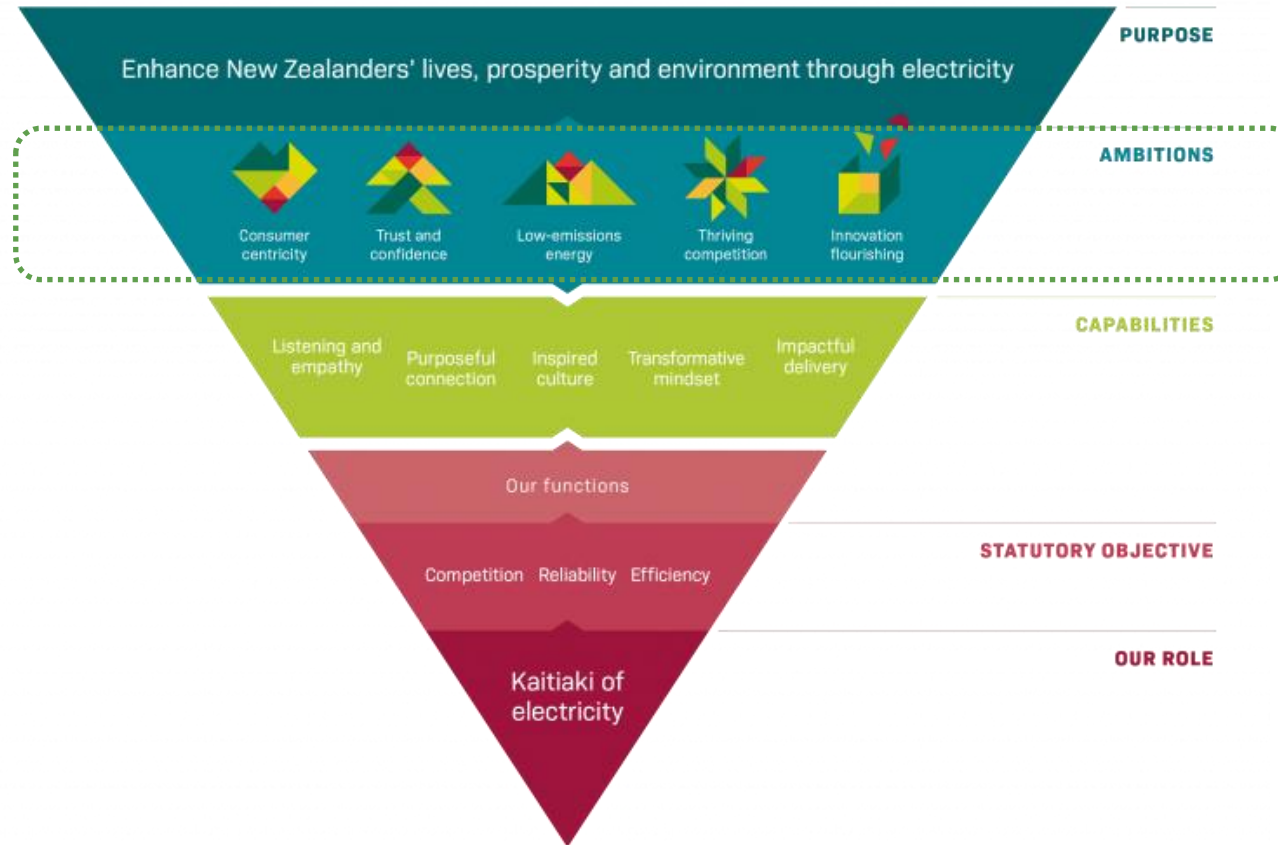
The EA has a range of initiatives in train to improve wholesale market arrangements. Some of those action flow from MDAG's work to date.

The choice of options for 'proof of concept' work, and advice on disclosure, set out in previous slides ties in with the EA's work programme and strategic framework

This alignment is outlined in the following slides.

EA's strategic framework

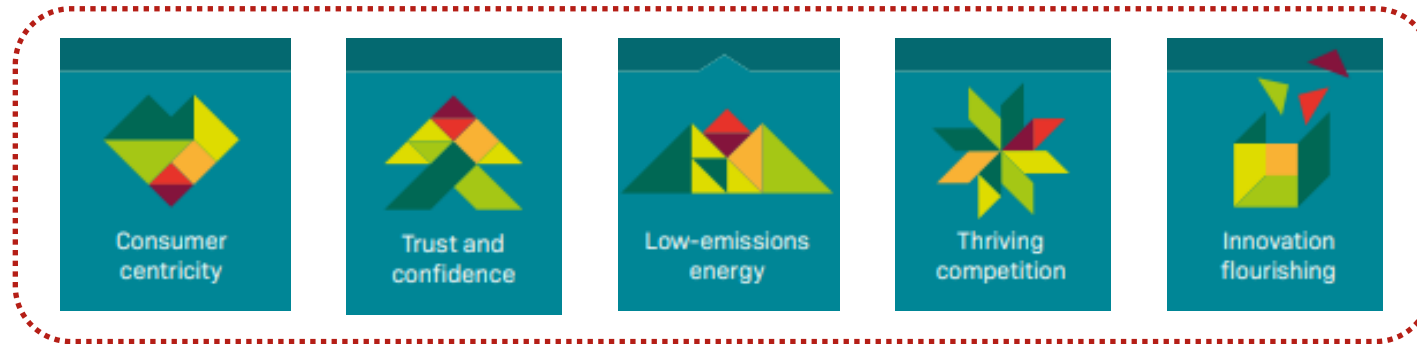
We are the **kaitiaki of electricity**.
Our purpose is to **enhance New Zealanders' lives, prosperity & environment through electricity**.



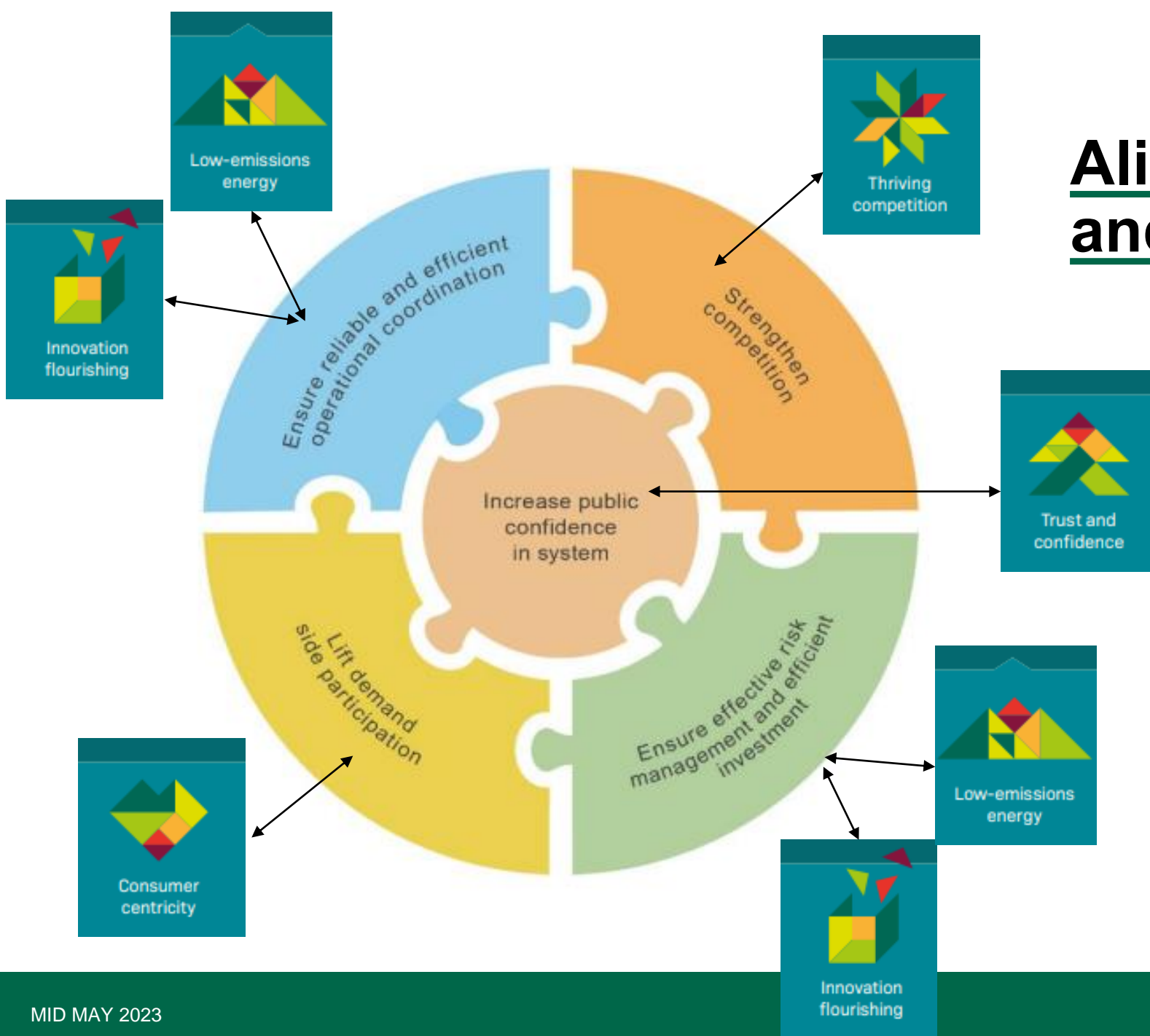
[Enlarged in next slide]



EA's strategic 'ambitions'



Alignment between EA and MDAG frameworks



A close-up photograph of several green fern fronds. The fronds are elongated and have a central vein with smaller veins branching off. The surface of the fronds is covered with small, light-colored spots, likely due to the texture of the leaf or the lighting. The background is a soft, out-of-focus green. The word "Ends" is overlaid in white text in the center of the image.

Ends