

Minutes of the Standardised Flexibility Co-design Group meeting

Held on 13 November 2024 at 10:00am-12:00pm

Held on/at:

- MS Teams,
- Level 7 AON Centre, 1 Willis Street, Wellington

Attendees: Shaun Goldsbury (Chair), Karl Arns, Matt Carnachan, Paul Morrison, Tim Boyce, Michael Jefferson, Kirsty Hutchison (Electricity Authority), Jo Goudie (Electricity Authority), James Mantell (Electricity Authority), James Goodchild (Electricity Authority)

Apologies: James Tipping, Nick Haines

Meeting opened at 10:03

1. Introduction

- 1.1. Minutes of the previous meeting were accepted as correct.
- 1.2. The Secretariat and Chair suggested members keep time aside for the reserve co-design date on 11 December, with an aim to not require it. The group agreed to this proposal.

Action: Secretariat to schedule additional Co-design Group meeting on 11 December.

- 1.3. The Chair and Secretariat suggested the group agree a communication piece which group members can refer to in conversations with wider industry participants. The group agreed to this proposal, and to release minutes from meetings.

Action: Secretariat to produce communication piece and group to review and agree.

- 1.4. The Secretariat proposed the group host a 'product launch' webinar. A question was raised regarding the group's remit once a recommendation to the Authority was made.
 - (a) The Secretariat clarified there was a benefit for the group to socialise the product with wider industry. There is also an expectation from the Energy Competition Task Force the product is traded in early 2025.
 - (b) The group agreed to support the Chair in presenting this webinar. And noted that tasks falling outside of the group's remit may need to be picked up by another group.

2. Product longlist refined to short list

- 2.1. The Secretariat presented the group's initial screening of the longlist of products. It was agreed if a product had a unanimous vote of 'No' from members, it would be discarded. For products with mostly 'No' votes, members who voted "Yes" would be given an opportunity to explain their position.
- 2.2. Caps were discussed in detail in terms of their utility as a hedge for physical participants, and it was noted that they needed a degree of sophistication to understand how they worked, especially in comparison to simpler swap products. The group felt that the product complexity in all forms would limit liquidity and therefore they discarded it. It was also noted that from the perspective of a natural seller, caps were less attractive than selling other products which provided greater protection against very low prices.
- 2.3. Standardised demand response contracts were also discarded. The group agreed there was value in this product and incentivising demand response, however, creating a product in the given time was unachievable. It was agreed more demand side participants should be present for that discussion, and products like this are already available (though not standardised). The group may recommend more work outside of this group is dedicated to this product.
- 2.4. The group agreed that products that had six or more 'Yes' votes were automatically added to the shortlist. These were the ASX peak concept and the super peak concept. It was clarified that the ASX peak concept should include both a version covering business days, and one covering all days. The two specifics would be discussed in the next meeting.
- 2.5. Solar/inverse solar, wind, and energy storage products were discarded. The group noted renewable firming is important, however, the success criteria of this group is focused on creating a product that as many physical market participants can access as possible. These technology specific products would only suit one type of market participant which would limit liquidity.
 - (a) The group also noted that existing products and other products on the short list would provide some hedging ability for these technologies. For example, a solar generator could sell the peak and buy some super peak to approximate a solar daily shape. They could also buy baseload and super peak while selling peak in order to firm a baseload sale. A battery owner could sell super peaks. Whilst none of these solutions are a perfect hedge, one product that provides some hedging value to a range of technologies is going to be of broader use to the market and more liquid than a multitude of products that are all provide perfect hedges.

3. Trading platform

- 3.1. The Secretariat presented a draft assessment of trading platforms, and group members were invited to discuss.
- 3.2. Notes from a meeting between the Authority and the ASX were shared and made available to members.
- 3.3. The group worked through the questions prepared by the Secretariat and agreed the following points:
 - (a) Hedge Settlement Agreements through the clearing manager for OTC trades would be beneficial.

- (b) Speed in posting trade, bid, and offer information was important for creating price discovery. Voluntary early anonymised disclosure of trades could be difficult to achieve depending on back-office processes, and would not assist in.
 - (c) The product would initially be traded OTC, but that a staged approach to either a bulletin board or the ASX was possible.
 - (d) A broker could be used to run a monthly match making services. The details of which would need to be developed. This could be a low-cost approach for the interim period.
 - (e) Any OTC process should run as soon after the ASX market making close as is practical, in order to promote liquidity and trading.
- 3.4. The accessibility to trading platforms was also discussed. It was noted that a bulletin board would be limited by trading arrangement requirements (AML, due diligence), that participants could trade on the ASX, however, the cash requirements made it challenging.

Action: the Secretariat will arrange a meeting with a broker to discuss how an auction could be run.

Action: the Secretariat will arrange a meeting with the members unable to make this meeting to discuss meeting outcomes.

The meeting was closed at 12:11

4. Summary of actions:

- 4.1. Secretariat to schedule additional Co-design Group meeting on 11 December.
- 4.2. Secretariat to produce communication piece and group to review and agree.
- 4.3. The secretariat will arrange a meeting with a broker to discuss how an auction could be run.
- 4.4. The Secretariat will arrange a meeting with the members unable to make this meeting to discuss meeting outcomes.

Confirming that the Standardised Flexibility Co-design Group has approved that the meeting minutes are a true and correct record.

Dated this 29th day of November 2024.

A handwritten signature in black ink, appearing to read "Shaun Goldsbury". The signature is written in a cursive style with a horizontal line underneath the name.

Shaun Goldsbury

Chair