

Minutes of the Standardised Flexibility Co-design Group meeting

Held on 2 October 2024 at 10:00am-11:30am
via MS Teams and at Level 7 AON Centre, 1 Willis Street, Wellington

Members: Shaun Goldsbury (Chair), James Tipping, Karl Arns, Matt Carnachan, Michael Jefferson, Nick Haines, Paul Morrison, **Tim Boyce**.

Apologies: –

In attendance: **Andrew Millar** (Electricity Authority), **Kirsty Hutchison** (Electricity Authority), **Jo Goudie** (Electricity Authority), James Mantell (Electricity Authority), James Goodchild (Electricity Authority), **Saki Hannah** (Electricity Authority).

If a name is in **bold** the attendee attended the meeting in person.

The meeting began at 10:05am

1. Introductions, background and purpose

- 1.1. Andrew Millar and the Chair welcomed the members to the meeting. Andrew spoke about the work of the Authority's Market Development Advisory Group (MDAG), the Energy Competition Task Force and the background to this work on standardised flexibility.
- 1.2. The Chair introduced himself to the group and thanked everyone for their time. Members and Authority staff introduced themselves.

Andrew Millar left the meeting at 10:20am

- 1.3. The secretariat discussed roles of those present based on slide 11 of the information pack:
 - (a) Authority staff will act as secretariat
 - (b) The Chair will manage the group
 - (c) Members have been appointed for their ability to contribute to the group.

2. Official Information Act, confidentiality and competition law

- 2.1. Saki Hannah led discussions on the application of the Official Information Act 1982, competition law and confidentiality as noted on pages 13 to 20 of the information pack. In addition to a general discussion of this points, it was noted that should any concerns arise, members should feel comfortable to raise issues and (particularly around competition concerns) consider removing themselves from the meeting until clarification is sought on the matter of concern.
- 2.2. The secretariat clarified that meetings are not being recorded and minutes are being taken. The group discussed the protocol for capturing minutes of the meeting.

Saki Hannah left the meeting at 10:28am.

3. Process and operation of the group

- 3.1. The Chair noted this co-design approach of allowing industry to come up with a solution is a step forward compared to previous approaches from the Authority of listening to industry views and sitting in the middle.
- 3.2. The group discussed how the workshops should operate to best achieve its objectives and the issues likely to be discussed. Points raised by members were:
 - (a) Old flex products are facing a tough future. New technology is a positive for future functioning of the market, but current technologies must be included to bring everyone to the table
 - (b) The MDAG final report highlighted the issues well.
 - (c) This group needs to look for something that works for the market. Previous attempts that have failed should be noted and the key thing that brought us back to this point should be recognised. Time needs to be spent on problem definition rather than moving into solutions too early.
 - (d) The group will need to consider what 'standardised' means and confront issues of mandatory market making.
 - (e) Different definitions of flexibility and the priority of potential solutions will need consideration.
 - (f) The design of a new product will need to consider how commercial intellectual property is dealt with.
 - (g) It was noted that a product that works for both seller and buyer will be needed if the product trading is to occur in early 2025.
- 3.3. The group discussed how to progress issues outside of meetings. The secretariat took an action to advise the Chair on implementing cloud-based document sharing for group collaboration outside of meetings. The Chair noted that future meetings could be extended to 2 hours duration.

Action 1: Authority staff to advise on document sharing for group collaboration.

4. Problem definition

- 4.1. The Chair led a discussion on the problem being addressed in the design of standardised flexibility noting that a complete list of problems is a useful starting point. Members comments included:
 - (a) A potential problem is a lack of flexibility products which prevents managing intermittency of renewable contracts.
 - (b) Understanding the true market value of peak market products. It leads to increased confidence of developers and will help the roll out of solar generation and support retail load.
 - (c) New entrants may find it difficult to find buyers where only participants that can firm generation can build it. The lowest cost renewables will be more freely available by enabling the most competitive renewable generation.
 - (d) Specific products (inverse swaps) and demand side response are hard to value and realise what the best option is. Successful countries transitioning have flexibility

markets. More demand side flexibility and more load response will create more competition.

- (e) The existing hydro flex will not provide enough flexibility for the future. Demand side incentives are useful – whether for peaking or firming.
- (f) MDAG appeared to be less concerned about short term flexibility (1 to 2 hours for example), the problem may be more about inter-seasonal issues and dry year energy firming, noting that once thermal plant retires, there is less flexibility and intra seasonally may create market power for those with ability to provide seasonal flexibility. It was also mentioned that MDAG felt existing hydro storage would have the greatest ability to manage intra-seasonal flexibility. This was challenged. Operators of hydro storage facilities have been the largest *purchasers* of long term, large scale, options (dry period flexibility products) and recent events have demonstrated the need for these. It was also acknowledged that MDAG were working in an assumed 100% renewables framework when drawing these conclusions.
- (g) New investment in energy consuming industrial plant should have confidence in a firm electricity supply and not need flexibility of demand as a prerequisite.
- (h) Products designed for today may not be suitable for the future, so the group should consider how the product is designed for different time periods.

5. Discussion on product success

- 5.1. Members discussed how the success of a standardised flexibility product can be defined. A question was raised on how the work of the Energy Competition Task Force helps to set priorities and it was noted that success is aligned with needs defined by what the taskforce wants to see.
- 5.2. The secretariat noted that the Authority is working on a competition dashboard (initiative 12 of the programme implementing the MDAGs recommendations). The competition dashboard leverages data from the hedge disclosure obligations (HDO) system, which will capture both standardised flexibility and non-standardised flexibility products. The new HDO come into force at the end of October and the Authority is currently working up a set of indicators.
- 5.3. Members comments included:
 - (a) A standardised flexibility product will provide price discovery and must be actively traded to be considered successful. It was noted that judgement may be required in considering what constitutes active trade.
 - (b) A general product will resolve more problems in the market and will be preferable than designing four products to solve four different problems.
 - (c) Clarity is needed on timeframes for products. A roadmap approach could be useful that considers the signposts/markers that signal it is time to introduce or change the products. The flexible product may need to be flexible and/or other products added over time.
 - (d) Willingness to trade the product will be influenced by how the product responds to changing risks. A good product design is one where the sellers can use it to mitigate risk as they sell it. A good product will push the risk to the participant who can best manage that risk.

- (e) Bringing new entrants to the market is important and the right price signal will be needed.
- (f) Access to the product is important. Any trade in 2025 is likely to be among the established market participants and the design should enable others to trade.
- (g) A member sought to clarify if the group agrees that derivatives are the product being considered. A consensus was not reached.

Action 2: Secretariat to assist Chair to summarise problem definition and success criteria based on today's discussion and circulate to members.

6. Any other business

6.1. No other business was discussed.

7. Summary of action points

1. Authority staff to advise on document sharing for group collaboration.
2. Secretariat to assist Chair to summarise problem definition and success criteria based on today's discussion and circulate to members.

The meeting closed at 11:30am

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

Dated this 21st day of October 2024.



Shaun Goldsbury

Chair