

# Minutes of the Standardised Flexibility Products Co-design Group meeting

Held on 11 December 2024, 10:00am – 12:00am  
via MS Teams and at Level 7 AON Centre, 1 Willis Street, Wellington

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

**Apologies:**

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

*The meeting began at 10:05am*

## 1. Introduction

- 1.1. The Secretariat noted that a quorum was present, and that James Tipping and Michael Jefferson have prior engagements and will leave the meeting early.
- 1.2. Members reviewed minutes of the meeting on 27 November and accepted them as correct subject to the following amendments:
  - (a) In paragraph 3.4, reference to the product applying to business days is deleted.
  - (b) Paragraph 3.5 is amended to record that the group indicated a preference for a single product: probably the super-peak product.

## 2. Matters arising

- 2.1. Matters arising from previous meetings were discussed. The Secretariat noted action point 13: *The secretariat will arrange a meeting with a broker to discuss how an auction could be run* is work in progress and all other action points are complete.

## 3. Product recommendation

- 3.1. The Secretariat asked the group to clarify, based on discussions at the previous meeting, if it intended to recommend one product to concentrate on liquidity.
- 3.2. All members agreed to the Chair's proposal that:
  - (a) the group will recommend a super-peak product as its sole recommended product.
- 3.3. The Chair summarised the prior meeting's discussion of the preferred products and their specifications. He noted that group saw value in a peak product and potential to add it in the future, but the group's view is that a super-peak needs to be prioritised now. A member also noted that a peak product is already available on the ASX.

- 3.4. In writing up the recommendations the Chair noted the group will recommend adding a peak product in the future to make a fuller product offering available. The recommendations will also note that the group has discussed other products too, but they do not meet the group's success criteria as well, and from a timing perspective are less useful than the super-peak. The Chair also noted that he will ensure the recommendations are seen by all members so they can review and provide feedback.
- 3.5. The group discussed a webinar planned for 18 December to inform industry about the recommended product. It was noted that the group's final recommendation will be delivered to the Electricity Authority Advisory Group (EAAG) and the Authority after the webinar, and there is an option to extend the terms of the group to the end of January 2025.
- 3.6. The Chair noted that he could draft the recommendations in a letter to the Authority by the end of today (11 December) and the members of the group would need to get this back to the Chair by Friday 13 December. The Chair asked members their views on this timing and the group discussed the following:
- (a) A member asked how the recommendation for trading arrangements would be made. It was clarified that the group will make a recommendation on trading arrangements, but acting on the recommendation is outside the group's scope.
  - (b) A member stated there would need to be detailed discussions on market making if they were to agree to market making. The Chair noted that the group will make recommendations, but these do not constitute binding actions by members or their employers.
  - (c) The Secretariat summarised the group's position as liquidity and transparency of pricing being the most important issues. The Chair stated the group will make recommendations on these issues but delivering on the recommendations is out of scope for the group.
  - (d) The Secretariat summarised the Authority's work on a competition dashboard which will help measure the success of the product.
  - (e) The Chair noted the group's preference to complete the co-design process by the end of the year and agreed to draft the recommendations letter by the end of the day. The group agreed to review the recommendations once circulated by the Secretariat.

**Action point:** Chair send draft recommendation letter to the Secretariat by the end of Wednesday 11 December.

**Action point:** Secretariat to circulate draft recommendation letter to members on Thursday 12 December 2024.

**Action point:** Members to review draft recommendation letter and provide feedback by close of business, Friday 13 December.

- 3.7. A member asked for clarity on the role of the Energy Competition Task Force with respect to the product and the recommendations. The Secretariat clarified the Task Force has accelerated existing work to address issues highlighted by winter 2024 and its involvement has shifted the focus of the group to the near-term, rather than a future 'highly renewables-based' system.

*Data analysis for product design*

- 3.8. An analysis of load and price data by trading period was presented by a group member and the Secretariat to assist with defining the trading periods the super-peak would apply to.

*James Tipping left the meeting at 10:49am.*

- 3.9. The secretariat noted that the data showed a reduced peak size in the summer quarters compared with the winter quarters. The Chair led a discussion on the need for an all-year product or a winter only product. The following points were made by members:

- (a) Residential demand would drive requirement for an all-quarters product.
- (b) If there is a preference for all days it is better to be over hedged on a weekend, rather than be unable to get cover for weekends
- (c) Friday evenings are more like a weekend night, while Sundays are more like weekdays.

*Michael Jefferson left the meeting at 11:01am*

- 3.10. The group agreed to:

- (a) An “all days” product.
- (b) Product offered at OTA and BEN nodes with the same trading periods for the North Island and South Island.

- 3.11. The group discussed contract durations and terms. The group decided that it would be ideal if:

- (a) Three years of calendar quarters were available to facilitate price discovery
- (b) That calendar month products were also available, for up to the first three quarters to adjust positions, but that quarters would not necessarily be available at the same time as the months to reduce perverse market outcomes associated with parallel pricing of overlapping products.
- (c) Any kind of liquidity assessment or requirement should take into account that the majority of genuine hedging is likely to be complete by three months in advance.

- 3.12. Trading by financial intermediaries was also noted as a way to help provide liquidity.

- 3.13. Discussion returned to the analysis of trading periods and following discussion, the group reached agreement on applicable trading periods:

- (a) Trading periods 35 to 42 for the evening peak.
- (b) Trading periods 15 to 21 for the morning peak.

## **4. Trading arrangements**

- 4.1. The discussion moved to arrangements for trading the product. The Chair noted that the Secretariat has provided the group with documentation of potential trading platforms and a draft request for information from brokers to assist.

- 4.2. The group noted that a brokered service will need to manage participants’ capacity to trade (with respect to credit for example) during a trading event. The group discussed the timing and frequency of trading events and noted:

- (a) Options for weekly, fortnightly, and monthly trading.

- (b) The timing should avoid interfering with auctions for financial transmission rights (FTRs), particularly the variation auction.
- (c) If initial trading events are successful over the counter trades might also start occurring.

4.3. The group agreed to:

- (a) recommend monthly auctions on a Wednesday that doesn't clash with the FTR variation auction
- (b) the Authority sending the request for information to brokers.

## 5. Closing

5.1. In closing the Chair noted that:

- (a) The Chair's draft recommendations letter will be written by the end of the day.
- (b) The Secretariat will circulate the draft to members on Thursday 12 December 2024.
- (c) Members need to review and provide feedback by close of business, Friday 13 December.

5.2. Members agreed that an additional one-hour meeting of the Co-design Group could be held on Monday 16 December at 2pm if required. The Secretariat agreed to organise the additional meeting and circulate a placeholder meeting invite.

**Action point:** Secretariat to organise an additional contingency meeting of the Co-design Group for Monday 16 December and circulate a placeholder meeting invite.

5.3. Chair closed the meeting by thanking members for their time and contribution to the Co-design Group and recognising the good work in reaching a unanimous recommendation on the final product.

*The meeting closed at 12:04pm*

## 6. Summary of actions

6.1. **Chair** send draft recommendation letter to the Secretariat by the end of Wednesday 11 December.

6.2. **Secretariat** to circulate draft recommendation letter to members on Thursday 12 December 2024.

6.3. **Members** to review draft recommendation letter and provide feedback by close of business, Friday 13 December.

6.4. **Secretariat** to organise an additional contingency meeting of the Co-design Group for Monday 16 December and circulate a placeholder meeting invite.

6.5. **Secretariat** to send request for information to brokers.

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

Dated this 16<sup>th</sup> day of January 2025.

A handwritten signature in black ink, appearing to read 'Shaun Goldsbury', with a horizontal line underneath the signature.

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Shaun Goldsbury

**Chair**