

# Hedge Market Development Steering Group Minutes

**10 July 2006**

Electricity Commission  
Level 7, ASB Bank Tower  
2 Hunter Street  
Wellington

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## **1. Members present**

Tony Baldwin (Chair)  
James Moulder  
Mark Trigg  
Paul McIver  
Ralph Matthes  
Russell Longuet

## **2. Also in attendance**

Tim Street	(Electricity Commission)
Carl Hansen	(M-co)
Darren Gilchrist	(HMDSG Administrator)
Joe Riley	(HMDSG Administrator)
Brent Layton	(NZIER) (9:40 am to 11:45 pm)

## **3. Introduction**

The meeting opened at 9:40 am.

The Chair welcomed members of the Hedge Market Development Steering Group (HMDSG) to the meeting.

## **4. Apologies and leave**

Carl Daucher had previously provided his apologies. James Moulder noted that he would need to leave the meeting between 10am and 11am

## **5. Previous meeting minutes (9 March 2006)**

There were no comments on the minutes for the meeting on 9 March 2006. The 9 March minutes were approved as an accurate record of the meeting on 9 March 2006. The Chair noted that he would amend the 29 May 2006 minutes and these would be considered at the next meeting.

## **6. Current Status**

Prior to discussing the papers provided for the meeting, the Chair requested that members provide a brief update on their view of the Overview paper, technical paper and presentation.

- All members were pleased with the minor changes to the Overview paper and generally happy for it to be submitted for Board review.
- There was general agreement among members that the technical paper is ready for submission to the Board, although some members had specific comments to work through at the 10 July meeting.

- Members agreed that there needs to be better linkage and consistency between the Overview and Technical papers.
- Tim Street re-iterated to members that he is aiming to deliver both papers at the 1 August 2006 Commission Board meeting. He invited HMDSG members to attend this meeting.
- Members discussed the need to brief their own and related organisations on the proposed package.
- Some members asked for the presentation to be simplified. The members discussed adopting a similar approach to the last Commission workshop where a cut down version of the presentation was used for display.

James Moulder left the meeting at 9:55

## 7. Discussion of approach to 1 August Commission Board meeting

Members discussed the strategic approach to the 1 August Commission Board meeting. Some specific concerns were raised regarding the Board's view of the proposed package and how to communicate the significance of these changes. There was clear agreement that the HMDSG need to provide the Board with the information they require to present the proposal to the various stakeholders.

Members discussed the format of the presentation and agreed that it should outline the process the HMDSG followed, the significance of the package for the industry and an explanation of the likely impact of the non preferred initiatives. Members agreed that the proposed meetings to communicate the proposed package would be in a briefing format rather than a workshop.

The HMDSG Administrator was requested to update the Board presentation and provide a draft to the senior advisor and Chair.

James Moulder returned to the meeting at 11:05.

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<b>Action Points</b>	<b>The HMDSG Administrator to</b> update the Board presentation and provide a draft to the senior advisor and Chair.
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## 8. Revised Overview paper

The Chair invited members to provide specific comments on the Overview paper

Members discussed:

- Whether FM was common in ISDA master agreements and schedules
- The reasons for the introduction of strip trading or spread trading into the paper.
- The use of 10 GWh per annum as the level for requiring contract disclosure, and how the level should capture an appropriate proportion of the market while not imposing additional cost on smaller participants.
- The meaning of non price takers in the papers.
- The indicative implementation duration of 3 years for LRAs. Members agreed that the duration of the LRA implementation could be shortened to 18-24 months, although all the proposed timeframes may be challenging.

Dr Layton was requested to provide a revised version of the Overview Paper to the Chair and Senior Advisor. The Chair was requested to amend the Overview Paper to reflect members' comments from the 10 July meeting and to ensure consistency between the two papers.

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**Action Points**      **Brent Layton to** provide a revised version of the Overview paper to the Chair and Senior Advisor.  
**The Chair to** amend the Overview paper to reflect members' comments from the 10 July meeting and to ensure consistency between the two papers.

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## 9. Revised Technical paper

Members generally agreed that the current version of the Technical paper addressed the majority of their issues and they were happy for the paper to be submitted to the Commission Board. Members did note that:

- The relationship between the Overview and the Technical paper needs to be clarified
- The significance of the publication of contract details needs to be emphasised and a column added to Figure 14 to display whether the contract is an FPVV or CfD

The HMDSG Administrator was requested to provide a revised version of the Technical Paper to the Chair and Senior Advisor. The Chair was requested to amend the Technical Paper to reflect members' comments from the 10 July meeting, to review the clarity of language and expression, and to ensure consistency between the two papers.

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**Action Points**      **The HMDSG Administrator to** provide a revised version of the Technical Paper to the Chair and Senior Advisor.  
**The Chair to** amend the Technical paper to reflect members' comments from the 10 July meeting, to review the clarity of language and expression, and to ensure consistency between the two papers.

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*The meeting closed at 12:30 pm.*

**Next meeting: 1 August 2006 with the Electricity Commission Board**

## Action Points

<i>Issue</i>	<i>Action Point</i>	<i>Due Date</i>
<b>EC Board Presentation</b>	<b>The HMDSG Administrator to</b> update the Board presentation and provide a draft to the senior advisor and Chair.	<b>19 July 2006</b>
<b>Overview Paper</b>	<b>Brent Layton to</b> provide a revised version of the Overview paper to the Chair and Senior Advisor.	<b>11 July 2006</b>
<b>Overview Paper</b>	<b>The Chair to</b> amend the Overview paper to reflect members' comments from the 10 July meeting and to ensure consistency between the two papers.	<b>14 July 2006</b>
<b>Technical Paper</b>	<b>The HMDSG Administrator to</b> provide a revised version of the Technical Paper to the Chair and Senior Advisor.	<b>11 July 2006</b>
<b>Technical Paper</b>	<b>The Chair to</b> amend the Technical paper to reflect members' comments from the 10 July meeting and to ensure consistency between the two papers.	<b>18 July 2006</b>