



# Wholesale Market Advisory Group

Induction to new members



18 May 2006



## Introduction and purpose

The purpose of this presentation is to:

- provide members with information about the administration of the Wholesale Market Advisory Group (WMAG);
- ensure members are aware of their individual responsibilities to the WMAG;
- inform members of the WMAG's key achievements and current workplan; and
- ensure members know who to contact for further information.

**The aim of this induction is to ensure each member is able to contribute to the group in a productive & efficient manner.**



## WMAG objectives

The WMAG must provide advice and report the extent to which its advice meets, or is consistent with the:

- Electricity Act 1992;
- Government Policy Statement on Electricity Governance (GPS);
- Commission's principal objectives; and
- objectives of the specific task.



## **GPS objectives and specific outcomes**

The Government has amended the Electricity Act 1992 to set the following principal objectives for the Electricity Commission:

- ensure that the electricity is produced and delivered to all classes of consumers in an efficient, fair, reliable, and environmentally sustainable manner; and
- Promote and facilitate the efficient use of electricity.

# GPS objectives and specific outcomes – cont.

Consistent with the principal objectives, the Commission is required by the Act to seek to achieve the following specific outcomes:

- energy and other resources are used efficiently;
- risks (including price risks) relating to security of supply are properly and efficiently managed;
- barriers to competition in electricity are minimised for the long-term benefit of end-users;
- incentives for investment in generation, transmission, lines, energy efficiency, and demand-side management are maintained or enhanced and do not discriminate between public and private investment;
- the full costs of producing and transporting each additional unit of electricity are signalled;
- delivered electricity costs and prices are subject to sustained downward pressure; and
- the electricity sector contributes to achieving the Government's climate change objectives by minimising unnecessary hydro spill, efficiently managing transmission and distribution losses and constraints, promoting demand-side management and energy efficiency, and removing barriers to investment in new generation technologies, renewables and distributed generation.



## Terms of Reference

The Terms of Reference for the WMAG are to:

- consider and develop rule change proposals affecting part G (excluding section VI, and schedules G7 and G8 of part G) and part H of the rules, as determined by the workplan; and
- provide comment as necessary to other advisory groups whose work impacts on the operation of the wholesale market.

# Responsibilities of the Chair & Senior Adviser



## The Senior Adviser:

- provides guidance to the WMAG to ensure the outputs, reports etc are appropriate, and that they support the Commissioners' decision-making;
- is accountable to the Commission for the resourcing, support, and output of the WMAG;
- works closely with the Chair to achieve the above; and
- is responsible for conveying the relevant Commission policies to the WMAG.

## The Chair:

- will report to the Board at agreed key milestones; and
- is to ensure that minutes are kept of all proceedings at meetings of the WMAG.

The Senior Adviser and the Chair must ensure the documented output reflects a balanced representation of the WMAG's views.

# Responsibilities of the WMAG administrator



The WMAG administrator:

- works closely with the Chair and Senior Adviser to ensure that the outputs, reports etc are appropriate and that they support the Commissioners' decision making;
- provides administrative support to the WMAG in a timely manner; and
- provides objective analysis as requested by the WMAG, but will ensure that any risks to the attainment of their rule obligations are drawn to the attention of the group.



## Responsibilities of members

WMAG members:

- are to act in the interests of all wholesale stakeholders;
- have a duty to prepare for meetings;
- do not represent their own organisations (although the range of commercial and technical experience inevitably adds diversity to the WMAG's capabilities);
- should note any views expressed by members are not to be taken as being those of their employer or nominating organisation; and
- should note, unless there is a specific reason to the contrary, reports to the WMAG group are not confidential, and will be tagged as confidential if appropriate.



## Process for holding meetings

- Reasonable notice of meetings must be given to every member, including details of the time and venue;
- Notice may be given by electronic, or other means;
- A meeting of the WMAG may be held by a number of the members of the advisory group who constitute a quorum, being at the date and time appointed for the meeting;
- As a general rule, meetings must be held in person;
- A quorum for the WMAG will be five or more members (excluding the Chair and Senior Adviser);
- Members are not entitled to send an alternate person in their place if they cannot attend a meeting; and
- If any member misses two consecutive meetings, the member will be deemed to be removed from the WMAG, except where leave is granted by the Chair or the Senior Adviser.



## Workplan development

- The Chair, with the Senior Adviser, develops the workplan;
- The key tasks and milestones are set out within the terms of reference;
- The workplan must be agreed by the Board;
- The Chair has the responsibility for the implementation of the approved workplan, efficient meetings of the WMAG, and reporting to the Commission on achievement of agreed milestones;
- The WMAG delivers reports, advice or comments on the tasks set out in the workplan, or as requested by the Commission; and
- The Board may decide in some circumstances that comments, rather than advice, are required from the WMAG.



## Key achievements

Summary of key WMAG achievements over the past two years:

- Intermittent generation (June 2004) – Included in handover package from NZEM. Recommendation was to enable intermittent generators to operate under the Rules.
- Embedded generator reserve offers (February 2005) – Recommendation was to allow embedded generators to revise their reserve offers up to 30 minutes before the trading period;
- HVDC component flows & risk offsets (February 2005) – Recommendation was that the HVDC component flows and risk offsets be published (to purchasers and generators) for each trading period;
- Group offer & dispatch of interruptible load (April 2005) – Recommendation was to enable ancillary service agents to offer interruptible load on a group GXP basis; and



## Key achievements - continued

- Various minor changes to offer rules in part G (March 2006) – Recommended amendments to the Rules were to:
  - a) remove the requirement for generators to submit offers for maximum partly load spinning reserve and maximum tail water depressed reserve via COMIT;
  - b) allow offers that are made prior to the must run dispatch auction to be made at zero price;
  - c) remove “good till cancelled” option on offer and bid forms, as it is made redundant by other existing rules; and
  - d) clarify how generators make additional offers, and ancillary service agents made additional reserve offers, during a grid emergency.

# Current workplan



Tasks that the WMAG is currently considering are:

- intermittent generation;
- capacity reserves;
- demand-side bidding and forecasting;
- review of offer and dispatch rules for industrial co-generation;
- high spring washer pricing situations;
- review of reserve adjustment factor methodology;
- market information issues, including:
  - provision of GXP/GIP data;
  - notification of constraints; and
  - publishing reserve offers;
- minor pricing rule changes; and
- interruptible reserve availability.



## Further information

Further information can be found on the Commission's website.

Useful documents include:

- Market Design Report  
<http://www.electricitycommission.govt.nz/opdev/wholesale/marketdesign>
- State of Competition and Investment and Entry Barriers to New Zealand's Wholesale and Retail Electricity Markets – Final Recommendations  
<http://www.electricitycommission.govt.nz/consultation/stateofcompetition>



## Further information - continued

Details for key WMAG contacts are as follows:

- Bill Heaps, WMAG Chair (04) 494-7962  
bill.heaps@strataenergy.co.nz
- Tim Street, Senior Adviser Wholesale (04) 460-8851  
tim.street@electricitycommission.govt.nz
- Laurie Counsell, Adviser Wholesale (04) 460-8872  
laurie.counsell@electricity.commission.govt.nz
- Karen Smith, WMAG administrator, M-co (04) 498-2257  
karen.smith@m-co.co.nz
- Rachel Grove, WMAG administrator, M-co (04) 498-2258  
rachel.grove@m-co.co.nz