

Steering Group

Draft agenda and materials

Meeting date: 9 June 2023

Shared: 6 June 2023

FLEXFORUM | 

Draft agenda – meeting 9 June 2023

- 1. Confirm Steering Group operating practices**
- 2. Confirm an interim Steering Group chair**
- 3. Confirm independent Chair job description and budget**
- 4. Confirm amount and criteria for annual subscriptions**
5. Confirm timing of meeting to approve the draft constitution and resolve to incorporate
6. Consider next steps for co-funding discussion with MBIE
7. Prepare for 29 June meeting with Council of Energy Regulators on learning-by-doing advice
8. Finalise communication with Minister for Energy and opposition energy spokesperson
9. Finalise for publication the FlexForum insights on the nature and implications of DER supplier flexibility awareness (task 10 from workplan)
10. Consider transitional funding options
11. Develop the list of key tasks for the Steering Group

Note: the draft agenda lists the main actions for the Steering Group in the near term

It would be challenging to fully consider all the items at the meeting on 9 June 2023

The proposed focus is items 1-4

- item 1 involves foundational decisions about how the Steering Group operates
- item 2 will support effective operation and administration
- items 3-4 are critical to continued progress
- the remaining items can be decided out-of-session or at a subsequent meeting(s)

Steering Group operating practices (1)

Confirmation of key operating practices of the Steering Group is proposed on the basis the Steering Group should start as it means to continue

- 'operating practices' broadly means the processes associated with making decisions, not what decisions are made

The constitution makes the Steering Group responsible for the management of the affairs for the FlexForum and sets out several requirements about its operating practices:

- the quorum for a Steering Group meeting will be five Steering Group members, and no meeting no meeting may be held unless more than one-half of the Steering Group members attend
- the Chair will chair Steering Group meetings, or if the Chair is absent, the Steering Group will elect one of their members to chair that meeting
- the Steering Group will attempt to reach consensus decisions. Otherwise, decisions will be by a majority vote
- Steering Group members will act in their personal capacity and not as representatives of their employer or organisation
- Steering Group members may not delegate their membership of the Steering Group
- the Steering Group must have a process stating how conflicts of interest are identified and mitigated, so that members avoid influencing deliberations or decisions where they have a conflict of interest
- the Steering Group will meet at least monthly via video or telephone conference, or other format decided by the Steering Group
- the Steering Group will operate transparently, including by promptly after each meeting publishing the agenda, relevant papers and notes outlining the discussions and decisions
- must keep proper records of all Steering Group meetings and General Meetings, proper books of accounts and financial records, and keep all other documents and records connected with the FlexForum
- otherwise the Steering Group may regulate its own procedures.

Steering Group operating practices (2)

Immediate practical implications of the requirements about operating practices are

- need to decide an interim chair – see item 2
- need to ensure that proper records are kept of Steering Group meetings and decisions, and that the agenda, relevant papers and notes outlining discussions and decisions are published promptly after each meeting. Practically, this means that substantive discussions and decisions should occur in a meeting or in a way which means they are documented and can be shared with the Members, ie, consistent with practice to date
- need a process stating how conflicts of interest are identified and mitigated so that members avoid influencing deliberations or decisions where they have a conflict of interest
- need to nominate someone to keep proper books of accounts and financial records
- need to schedule a monthly meeting of the Steering Group.

Actions:

1. decide an interim chair. An interim chair would assist in operationalising of operating practices, including ensuring substantive discussions and decisions occur in a transparent way and are documented. See item 2.
2. ensure proper records are kept and Members have information about discussion and decisions. Broadly this means adopting a process for identifying issues requiring discussion/decision, scheduling the discussion/decision and ensuring the ensuring discussions/decisions are documented, eg, requesting the (interim) Chair include a topic on the next meeting agenda or requesting an out-of-session decision process, recording the key points from the discussion and the decision.
3. develop a process for identifying and managing conflicts. The EA Advisory Group process could be adapted given the similar expectations members act as individuals
4. nominate someone to be financial controller/treasurer and adopt a process for proper management of finances
5. decide a schedule of meetings. Scheduling a regular monthly meeting will help reduce calendar conflicts. Extra meetings will be needed in the next month or two

An interim Steering Group chair

Selection of an interim Steering Group chair is proposed to help streamline to operations and administrative actions

The constitution describes what happens when there is no chair and when the chair is absent

- when the Chair is absent... 'the Chair will chair Steering Group meetings, or if the Chair is absent, the Steering Group will elect one of their members to chair that meeting'
- if the Chair resigns, the Steering Group may elect a Steering Group member to chair the Steering Group until a Chair is appointed at a General Meeting

Having an interim chair is not required until incorporation, but would help to streamline operations and administrative actions by undertaking tasks including:

- coordinating development of meeting agendas with the secretariat
- managing meetings
- point of contact for SG members / secretariat to raise issues and consider options for resolving the issue
- signing correspondence on behalf of the FF, eg, letter to the Minister for Energy

The term of an interim chair depends on several factors

- the interim chair role could be undertaken by one or more Steering Group members until an independent chair is selected or until incorporation
- if there is no independent chair at incorporation, the Steering Group would need to elect a member to be chair. This chair would serve until the date of the first General Meeting. An Extraordinary General Meeting can be called at any time by 2 or more Steering Group members and must be held at least 30 days later.

Actions:

1. select an interim chair to perform the role until an independent chair is selected or some other period considered reasonable
2. note the revised draft Constitution

Independent chair job description and budget (1)

The job description for the independent chair should reflect the explicit requirements set out in the constitution and the implicit requirements to successfully perform the role

- refer draft job description

Explicit requirements set out in the constitution and Incorporated Societies Act

1. is a natural person, over the age of 16, and not disqualified, eg, due to being an undischarged bankrupt, convicted of various specified offences or subject to banning orders
2. a clear commitment to the objective and purpose of the FlexForum and the Flexibility Plan
3. an ability for independent thinking, pragmatism, and a preference for learning by doing
4. an ability to see the big picture and knowing when to get into the detail
5. an ability to collaborate, recognise different perspectives, ask challenging questions and to be challenged
6. able to act independently of sectoral or organisational interests
7. able to facilitate discussions and achieve consensus without advancing his or her own agenda or perspective

Note: the chair does not need to be a Member of the FlexForum or representative of a Member, though other Steering Group members must be.

Implicit requirements are listed on the next page

Independent chair job description and budget (2)

Implicit requirements – these draw on practical expectations for the role and [the AICD guidance on the position description for a chair](#)

- wants to do the job and has the time. The indicative budget for compensating the chair (see next page) estimated an average time requirement of 10-15 hours/month. More time may be needed in the initial 6-12 months start up phase
- able to effectively lead the Steering Group, including, managing the conduct, frequency and length of meetings, ensuring proper information flows to and from the Steering Group
- able to make FF Members confident that the Steering Group is acting in the interests of all Members to achieve the objective and purpose of the FF
- able to be an effective advocate for the FF by confidently, authoritatively and accurately communicating FF perspectives to decision-makers and partners with authority, eg, to the Minister for Energy, senior officials at MBIE, EA and Commerce Commission, and chief executives of large and small industry participants
- able to provide effective guidance and support the secretariat/management with the day-to-day delivery of FlexForum activities.

Action:

1. Agree the draft job description

Independent chair job description and budget (3)

The indicative budget prepared to support co-funding discussion with MBIE assumes the independent chair will be compensated

- the average monthly time requirement of 10-15 hours assumes one 3 hour meeting a month, a similar amount of preparation time, and 2 hours a week checking in with the secretariat and external engagement.

Action:

1. confirm the indicative budget for compensating the chair.

Amount and criteria for annual subscriptions (1)

The Steering Group is responsible for fixing the amount of the annual subscription to be paid by Members. The amount and criteria for the annual subscription needs to be confirmed

- The annual subscriptions must be sufficient to fund at least 50% of the functions and activities as described in the FlexForum Workplan and budget, based on receiving an equivalent contribution from MBIE/government. An indicative budget of \$500,000 was estimated to assist funding discussions with MBIE, the CE Forum and prospective members
- The Steering Group has discretion to set proportional subscription fees for Members joining during the financial year, or to account for the circumstances of a specific Member, or because a Member provides an in-kind contribution – the purpose is to provide flexibility to
 - enable participation of entities like Kainga Ora with a niche interest in flexibility
 - recognise a material, dedicated and desirable in-kind contribution, eg, Vector
- Any Member whose subscription remains unpaid for three months after the due date may be removed from membership by the Steering Group.

The invitation to join the FlexForum gave an indicative annual subscriptions for large, medium and small firms without specifying the thresholds for each tier

- \$20,000 a year for large firms, \$10, 000 a year for medium firms, \$1500 a year for small firms (and \$0 for individuals/consumers). These amounts and broad thresholds were based on feedback from FlexForum participants about reasonable contributions and individual commitments to date
- 21 firms and individuals have given a written commitment to join the FlexForum based on the indicative subscription amounts (totaling \$200,500)
- several prospective members have asked about the criteria for large, medium and small and some have indicated they would request a waiver

Amount and criteria for annual subscriptions (2)

Key considerations for developing thresholds and criteria for setting the annual subscriptions include

- the ability to pay – the indicative amounts for large and medium sized businesses are not onerous relative to the benefits of accelerating flexibility, both to consumers and to the individual businesses
- the interest in flexibility (and electrification) – all electricity industry participants have an interest in flexibility and electrification
- support broad and inclusive membership – households, businesses, and entities with a niche interest in flexibility because it is peripheral to their core business (eg, Greypower, Kainga Ora, industrial consumers)
- consistent treatment – Members will expect subscriptions to be set consistently and fairly
- be practicable to apply – thresholds should be easy to apply, eg, based on public information

Two options have been identified for deciding annual subscription thresholds that align with the considerations about the ability to pay etc

- using employee numbers, eg, 100+ is large etc. This approach proved practically difficult to apply
- using annual turnover. This is the model used by the Sustainable Business Council. The [SBC fee structure](#) broadly aligns with the indicative annual subscription amounts and the apparent expectations of prospective members
 - based on available information, the large category (annual turnover of >\$50 million a year) covers gentailers, plus Vector, Wellington Electricity, Powerco and Orion
 - information was not readily available on the annual turnover of other members
- Note: many FlexForum members do not have connections/customers.

Fees are based on annual turnover

\$0 – \$5 million: \$2,500

\$5 – 10 million: \$5,000

\$10 – 50 million: \$10,000

\$50 million+: \$20,000 (reduced to \$17,500 for mem

Major Companies' Group)

Amount and criteria for annual subscriptions (3)

These proposed criteria and thresholds attempt to balance ability to pay etc

- Annual fees will be set using thresholds based on annual turnover – are these thresholds reasonable?
 - \$1500: up to \$5 million
 - \$10,000: \$5 million to \$50 million and industry associations
 - \$20,000: over \$50 million
 - \$0: individuals who are households or small businesses
- Criteria for deciding to set proportional fees to account for the circumstances of a specific Member
 - the Steering Group considers it is beneficial to the objectives and purpose of the FlexForum that the prospective Member be a Member and they would not otherwise become a Member, eg, it is beneficial to have Kainga Ora involved, but there would not be a similar benefit from reducing fees for a specific distributor
 - the decision to reduce the annual fee would not create a precedent that adversely affects the ability of the FlexForum to fund itself or causes other Members to perceive unfair and unequal treatment
 - the party is offering a material in-kind contribution that is beneficial to the objectives and purpose of the FlexForum. A material contribution would involve a Member providing a dedicated resource for a specific and needed purpose for 2+ months over a year
 - membership of the Steering Group does not qualify as an in-kind contribution
- Members and prospective Members must formally request a reduction to the annual fee from the Steering Group explaining why the reduction is necessary and beneficial
- The Steering Group will tell Members who it gives a reduced fee, the amount of the discounted fee, and the reasons
- These criteria and thresholds will be published as Policies and Procedures of the FlexForum.

Actions:

1. Confirm the proposed thresholds for setting annual fees
2. Confirm the proposed criteria for exercising discretion to reduce the annual subscriptions
3. Agree to the criteria and thresholds being documented as Policies and Procedures of the FlexForum.

3rd option for subscription thresholds

Broad agreement to indicative thresholds and reasoning

- that is, large participants can contribute more than mid-sized participants and small participants contribute something
- specifying thresholds for this outcome is tricky – bright lines have unintended consequences

Solution is to use thresholds which explicitly describe the outcome

1. \$20,000 tier. Specify the gentailers (Contact, Genesis, Mercury, Meridian, and Manawa), Transpower and distributors with >100,000 ICPs (Vector, Powerco, Orion, Wellington and Unison)
2. \$10,000 tier = industry associations and anyone not in the other tiers
3. \$1,500 tier = entities with annual gross revenue less than \$5 million
4. \$0 = individuals who are consumers.

This option best meets the proposed criteria

- the ability to pay
- the interest in flexibility
- support broad and inclusive membership consistent treatment
- is practicable to apply.

Scheduling the meeting to approve the draft constitution etc

The next step in the incorporation process is for prospective Members to meet to

- approve the draft constitution
- resolve to apply for incorporation
- confirm (or note) the 'officers' of the almost incorporated society.

The invitation to join the FlexForum said this meeting would be in late June

- the process to nominate and select the independent chair will take at least 4 weeks after finalising the job description – the earliest we can have an independent chair is about 10 July

There are two options

- schedule the incorporation meeting for late June without having selected the independent chair. An interim chair would serve until an Extraordinary General Meeting is held and an independent chair is selected according to the process in the constitution. This option would mean any effort to find and nominate candidates ahead of incorporation is redundant
- schedule the incorporation meeting for mid-July after having selected an independent chair.

Action:

1. Decide whether select an independent chair before incorporating or after.

Update on co-funding discussion with MBIE

MBIE has indicated in principle support for the proposed deliverables listed below, with one qualification

- MBIE has requested the deliverables include a minimum number of insights papers – four is doable and reasonable
- other details regarding co-funding will be confirmed next week.

Proposed deliverables

1. Support a knowledge hub by collating and curating findings from projects and trials within Aotearoa New Zealand and by producing insights relating to connections with and barriers to implementing the Flexibility Plan.
2. Regular assessments of progress with delivering the Flexibility Plan, including assessments of progress with the critical steps which require specific learning-by-doing or investigation .
3. Produce regular [eg, 4] insights or advice papers each year synthesising the experience from the workstreams and collective experience of the membership. Some of the insights papers could respond to policy questions from MBIE if there is agreement with the Flex Forum steering group and the policy questions align with objectives of the Flex Forum.
4. Respond to regulatory consultation processes by providing advice, eg, to the Commerce Commission, Electricity Authority, MBIE etc
5. External engagements (content creation and active outreach), with regular webinars and delivering content through communications channels (eg, website / LinkedIn / newsletters).

Action:

1. confirm the FlexForum will commit to delivering four insights or advice papers as part of the co-funding agreement with MBIE

Prepare for 29 June meeting with Council of Energy Regulators on learning-by-doing advice

The FlexForum has been invited to present to the Council of Energy Regulators on 29 June 2023 about specific things MBIE and regulators can do to improve the amount of learning-by-doing

- a 5 minute speaking slot. MBIE wants the CER to become a forum for discussion amongst its members, so the FF will be framing that discussion
- a 2 page precis of the FlexForum advice and practical steps – the key points of the insights paper are easily summarised, but thinking is needed to specify practical suggestions
- don't need to justify the role of the FF or the need for increased learning-by-doing
- advice should be clear about the expected impacts of the practical suggestions and give reasons, eg, if the FF suggested implementing a Flexibility First commitment, it should explain the purpose and effect of the measure in the UK and why those effects would be experienced here

MBIE wants the FlexForum to build on its advice and provide practical suggestions, particularly on:

- the framework and criteria for allocating the two newly announced initiatives
 - \$20M to invest in innovation to improve system resilience and managing peak demand. Focus is winter peak demand issues and extreme weather events
 - \$30M to invest in community-based DER projects. Focus is developing DER infrastructure and the capability for optimising energy use.
- how the FF could support faster paced regulatory development, eg, providing detailed advice to the EA
- design of a scalable regulatory sandpit framework and pathway to evolving it over time

Action:

1. Confirm who will present to the CER on 29 June 2023. Timing to be confirmed
2. Decide the key points to make to the CER
3. Confirm how the practical suggestions will be developed. The secretariat will prepare a starter document summarising the key points of the FF advice on learning-by-doing.

Other tasks

1. Finalise communication with Minister for Energy and opposition energy spokesperson
2. Finalise for publication the FlexForum insights on the nature and implications of DER supplier flexibility awareness (task 10 from workplan)
3. Consider transitional funding options
4. Develop the list of key tasks for the Steering Group