

Steering Group meeting

When	Wednesday 22 November 2023, 1400-1700
Where	Wellington and virtual
Who	Steve Batstone, Shay Brazier, John Campbell, Terry Paddy, Matt Smith, Evie Trolove, Fiona Wiseman Secretariat: Craig Evans
Apologies	NA

Session notes

1: Welcome

The Chair welcomed everyone to the meeting.

The Steering Group (SG):

- **confirmed there was a quorum**
- **noted their individual obligations relating to the Commerce Act 1986 prohibiting anti-competitive conduct**
- **confirmed the agenda.**

2: Steering Group Planning Session

The Steering Group discussed perspectives of 2030 as a starting point to identify what it needs to do for FF to achieve its objective and purpose.

.... We are in 2030: last year of DPP4; BCG predicts we have spent \$42b in the last 8 years on generation, storage, demand response and networks and we're at 98% renewable!

- What did the country achieve in terms of flexibility, electrification, decarbonisation, the consumer?
- **What** were the key breakthroughs? Turning points? Things so critical that without them it wouldn't have happened?

In 2030....

- the market/system infrastructure was not fit-for-purpose because solar and DER uptake routinely exceeded forecasts and planning and investment decisions relying on these forecasts assumed more time to develop critical capabilities etc than was the case.
- between now and 2030 there will be another 2 cyclones equivalent to Gabrielle with households and businesses investing in solar/battery systems for resilience. Anecdotally current solar interest/investment

in Hawkes Bay is growing fast due to resilience following Gabrielle. Similar responses were observed following major events which affected power suppliers in Europe and Australia

- in 2030 the cost of electricity has increased significantly due to network and generation investment potentially resulting in
 - government intervention to manage prices
 - more investment in solar etc to decouple from 'grid' prices
 - slowed decarbonisation because more expensive electricity alters the payback period and discourages DER/electrification investment.
- DER costs are higher due to higher installation, labour and materials costs as a flow on effect of lack of economic capacity/demand for resources/labour. Not enough price differential to justify investment in flexibility unless you have deep pockets
- the 2030 decarbonisation targets are not met resulting in Aotearoa New Zealand exposing itself to international penalties, eg, \$20B a year.
- regulators did not act fast enough/were too cautious in decisions for the 2025 default price path etc which locked in an unsatisfactory investment outcome which was hard to change. The Commerce Commission regulatory framework assumes a steady state environment which favours incrementalism and minimal change - this approach does not support a transition
 - regulatory veto of preemptive investments due to unreasonable expectations for certainty about date and quality is a major risk. Planners know the capability is needed, and they need to invest, but cannot invest ahead of time. Coordination of investment/planning scenarios could help
- by 2030 Aotearoa New Zealand will be looking at AI etc but will not have implemented it consistently or broadly. The technology will be available but tools using the technology will not because NZ businesses are slow to adopt new practices unless a new player disrupts things
- successful use of AI relies on open data because AI is most powerful/useful when built with the largest possible dataset. This creates material incentives for the holders of data to restrict access, thereby stifling development of sophisticated tools and maximising benefits for consumers
- Four key risks to mitigate up to 2030 are
 - technology change
 - environmental change (natural)
 - market / regulatory failures
 - political failure – kneejerk interventions
- some fundamental decisions will be required about role/responsibilities in the system/market, eg, who can/cannot own storage, who is the DSO etc. It would be useful to have a dedicated Ministry of Energy to coordinate activities across regulators
- cannot see how we can get to 2030 under current market structure with more renewables
 - we can expect more volatile spot pricing and more volatile distribution prices as distributors attempt to stimulate responses from households and businesses
 - electricity retailers will face massively elevated purchase risk in some price periods due to the volatility which will encourage development of more/better price risk management tools. Even vertically integrated suppliers will not be able to manage the risk
 - the implication is increased demand for flexibility from aggregators from more buyers
- forward price information is suspect - the current average price path is based on flawed assumptions that spot prices will settle at the LRMC of wind. People are using this information to make choices that may/will turn out to be incorrect

- A messy transition provides opportunity for flexibility.....also for undesirable things. Perhaps focus on progress over perfection – do something that gets us further, but gets stuff done. The transition from now to 2030 will be ugly until a new path / model becomes clear. Currently there are multiple options/choices
- We have 130,000 people in hardship - what number does that need to be to prompt political interventions? The transition will drive more price volatility and more hardship and the sector is not always great at managing hardship
- In an uncertain environment with a hard to predict future the only thing you can do is react quickly to a situation. The speed of response relies on being prepared to respond
 - can we put a cost on doing nothing?
- There are five triggers / factors which will influence interest/uptake of flexibility
 - natural hazard events, eg, cyclones, earthquakes resulting in people investing in resilience
 - regulatory failures which lead to under-investments and makes flexibility the next best (only?) option
 - energy hardship because people are already reliant on electricity and will become more so with electrification
 - volatility in pricing....
 - rising electricity prices.

...What are 3 things the SG should do to deliver the Accountability, Action and Collaboration principles underpinning the Flexibility Plan 1.0

- Looking at the collective things, which of them link to the key breakthroughs, turning points and critical choices?
- Looking at the collective things, which of them are we doing now? And which of them should we start doing now?

The SG collectively identified the following things it could do:

Accountability:

- make sure all actions and activities are disclosed on a FF website and always make things public and encourage people to contribute
- have 1-1 conversations with Member representatives about FF activities versus expectations to check on things are going, are people getting what they need etc
- step up engagement with consumers, communities etc as ultimately they are the ones making all the decisions and the reason FF exists. We need to hear from consumers etc to be accountable to the objective and keep focused on the outcome
- establish key outcomes for the objective and purpose. To date there has not been a focus on making sure the purpose is delivered. This will help to demonstrate value to co-funders
- keep in touch with who is participating and check in with people who have not been seen for a while.

Action:

- identify a practical demonstration of advice where ever possible, eg a use case, to show how FF is working to realise an end state and not just writing reports
- share the FF experience with hard and sticky issues to build awareness/confidence that action is occurring and flexibility is a valid option, for example, how flexibility can help with things like hardship (and here is a plan we prepared earlier)
- regulatory submissions are important as they shape conversations and demonstrate value of FF, even through it is hard to measure the success/effectiveness of submitting
- Publish an annual workplan with quarterly progress updates to demonstrate progress and raise key messages (ie, the so what of this)

- A final check of outputs that it serves the human, aligns with the objective, and how it can lead to practical action

Collaboration:

- align with appropriate industry groups, eg, FNF to have a distributor lens and an ecosystem lens
- hold regular sessions with workstream conveners, eg, invite them to the SG quarterly
- have open sessions with industry associations etc, eg ENA, EEA etc to hear what things are being done and what they are interested in
- call out examples of collaboration (celebrate good) and call out (politely) things that are not ideal, eg, offering a perspective that an output/activity would be improved by involving more people/views
- regular information sharing day - an event to bring people together and demonstrate value/outputs of conversations and activities
- survey members regularly to identify how to improve and validate the value proposition for Members and show benefits for prospective members
- Be non-partisan and engage with people on why they should care.

3: Standing items

3a: Engagement update

The SG noted engagement activity since 12 October and upcoming activity.

- **the workshop with the Future Networks Forum on 15-11** was well received and reinforced how FF can assist distributors to translate their priorities to reflect expectations of households, businesses and communities
 - FF will need to make sure technology ‘works’ and be well practised at online tools to run successful webinars/workshops
- Energy Sector Decarbonisation Framework is an initiative arising from the BCG report. Progress is pending clarity about the incoming government.
 - the Framework recognises FF has the flexibility space and will endeavour to avoid duplication/working at cross purposes
 - it is proposed to involve FF in the Framework governance.
- Aotearoa NZ is an associate member of the [EU Horizon fund](#). The relationship is managed by MBIE. Horizon Europe is the EU’s key funding programme for research and innovation with a budget of €95.5 billion to 2027. FF should explore opportunities to leverage the fund

The SG confirmed the engagement update should continue to be provided at SG meetings.

3b: Workplan update

The SG noted progress with developing the 2023/24 workplan.

- 4 people had volunteered to be a workstream convener - the SG recognised and appreciated the contribution
 - Grace Burtin = Market Frameworks
 - Terry Paddy = Digitalisation
 - Stuart Johnston = Flexible resource integration and visibility
 - Tom Rose = Consumer information and participation
- the conveners plus Steve and Craig had started meeting to coordinate workstream and workplan activities and progress. These meetings will be regular, eg, monthly

- the workplan development process is highlighting a need to focus on fundamentals with most tasks indicating a need to build understanding of issues/topics
- common and BAU tasks required for FF to meet its objective and purpose are being identified and added to the workplan to record that effort/resources will be needed, eg, updating the Flexibility Plan
- activities and outputs such as a Knowledge hub will be added to the workplan as necessary.

The SG agreed to respond to the Commerce Commission, 2025 DPP Issues Paper (responses due Friday 15 December 2023).

- noting the timeframe and commitments, endeavour to share a draft response with Members 7 working days before 15 December (ie, cob Wednesday 6 December)
 - arrange a workshop within the 7 working day period
- include a generic statement regarding the ability for individual Members to have a different view to FF.

3c: Finance update

The Steering Group noted a finance update.

- payment of 2024 subscriptions continues
- the current and forecast budget position. Extra resources are necessary to meet the ambition of the proposed workplan. Funding is available to retain existing and extra resources to 1 March. Funding from Ara Ake is required to retain existing and extra resources until 31 August.

The SG agreed to identify individuals who could be contracted in January to provide extra support when funding is available.

The SG confirmed proposed terms for fixed term contracts for the independent chair and dedicated doer.

The SG discussed obtaining an accountant/bookkeeper resource to manage financial matters.

4: Procedural matters

4a) Filling Steering Group vacancy

The SG discussed options to fill the SG vacancy and agreed to approach people to confirm their interest and availability.

4b) Membership policy

The SG agreed to the broad requirements of a Membership policy to document the process for joining FF and to clarify the definition of an individual who is a consumer.

- a decision tree for deciding someone is an individual who is a consumer
- membership will be renewed and confirmed in writing annually for all Members.

The SG discussed options for enabling the participation of small, financially constrained organisations.

- an inclusive approach to membership adds diversity of thinking and voice, but the \$1500/year subscription amount could represent a material financial commitment for organisations with no/minimal revenues
- a financial commitment is an indicator of actual commitment.

The SG agreed to request a reduced \$500 subscription from financially constrained organisations wanting to join FlexForum, with the reduced amount revisited after a year.

4c) Membership requests

The SG agreed to the following people/organisations becoming FF Members, subject to the conditions/reasons based on the membership policy discussion and payment of the relevant subscription.

- Otago University (flexibility research group - Michael Jack, Janet Stephenson and Jen Purdie
- Australian National University Battery Storage and Grid Integration Program (BSGIP) - Laura Jones and Tim Moore
- Clive Pinfold
- Grid Share - Sam Kivi, CTO and Founder
- Derek Caudwell, CE, Trust Horizon

4d) Next Steering Group meeting

The SG agreed its next meeting would be 1300-1600 13 December 2023.

4e) Actions

The SG noted progress with actions.

Finish 1732.