



AIDE MEMOIRE

Review of Electricity Market Performance – update on procuring specialist advisors

Date:	18 December 2024	Priority:	High
Security classification:	In Confidence	Tracking number:	BRIEFING-REQ-0007460

Information for Ministers

Hon Simeon Brown
Minister for Energy

Hon Shane Jones
Minister for Resources

Contact for telephone discussion (if required)

Name	Position	Telephone	1st contact
Sharon Corbett	Policy Director, Energy Markets	Privacy of natural persons	✓
Victoria Coad	Principal Policy Advisor		

The following departments/agencies have been consulted

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Minister's office to complete:

☐ Approved

☐ Declined

☐ Noted

☐ Needs change

☐ Seen

☐ Overtaken by Events

☐ See Minister's Notes

☐ Withdrawn

Comments



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Purpose

This Aide Memoire provides an update on the process to engage experts to undertake the three specialist roles identified for the review of electricity market performance (the Review). Next steps in the process are set out for your information.

Sharon Corbett

Policy Director, Energy Markets

Building, Resources, and Markets, MBIE

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Background

1. You have initiated a review of the performance of electricity markets to ensure they are fit-for-purpose [ECO-24-MIN-0245 refers]. You announced the Review on 15 November, publishing the Terms of Reference (ToR) and signalling the Review was expected to begin early in the new year.
2. The Review is to advise on the impact of market structure, market design, and market rules on electricity market performance, and on options to improve market performance in terms of the Government's objectives. The Review will look at whether current regulations and market design support economic growth and access to reliable and affordable electricity.

We are engaging experts to fill three specialist roles for the Review

3. Cabinet agreed the Review would be undertaken by suitably qualified experts with expertise and experience in electricity markets in comparable countries, but also with access to experts in New Zealand's electricity market [ECO-24-MIN-0245 refers]. Cabinet also set an expectation that the review team must be independent and bring new and clear thinking to the task, providing fresh perspectives and insights from other markets.

4. Drawing on Cabinet decisions, MBIE prescribed three specialist roles for the independent experts who will undertake the Review [BRIEFING-REQ-0006941 refers]. The specialist roles are:
 - the Lead Reviewer to undertake the Review
 - two Peer Reviewers to provide an added layer of quality assurance and accuracy to ensure the review reports are robust, reliable and as useful as possible
 - a New Zealand Expert to support the Lead Reviewer and ensure the Lead Reviewer has good understanding of relevant New Zealand-specific matters.
5. Upon Ministers' announcement of the ToR on 15 November, MBIE issued the Request for Proposals (RFP) for competitive procurement of the three roles. The RFP was published on the New Zealand Government Electronic Tenders Service (GETS). MBIE contacted a wide range of potential respondents here and internationally alerting them to the RFP.
6. Tenders closed on 11 December. An evaluation panel of suitably qualified people within MBIE, Privacy of natural persons has been assembled to consider proposals and identify the preferred suppliers for each of the roles.

We are evaluating proposals received in response to the RFP

We have received a good range of proposals for all three roles

7. We received proposals from 23 organisations across the three roles, primarily from the United Kingdom, United States, Australia and New Zealand.
8. The panel considered each proposal on its own merits, but also how different combinations of experts might work together to give the best overall set of skills, perspectives and experience.

Proposals are being evaluated against the criteria in the RFP

9. The evaluation criteria were set out in the RFP, drawing from the ToR and Cabinet decisions relating to the Review.
10. As noted above, the panel are considering each proposal on its own merits, but also different combinations of proposals across the three roles. This includes consideration of the need for different perspectives to be brought to the table, including from a range of jurisdictions.

The panel has provisionally identified a preferred candidate for each role

11. The panel is well-advanced in its evaluation of the proposals and has provisionally identified a preferred candidate for each role. The panel's provisional position is summarised in the table below, together with a commentary on the factors the panel is considering as it works towards finalising its evaluation report.
12. The firms listed below represent a very strong collective group to undertake the Review. In determining their provisional preferences, the panel has assured itself that the collective has the right mix of gravitas, international expertise, knowledge and skillsets from both a practical and a theoretical viewpoint, that it has the capability to cover the range of issues relevant to the task, and that the preferred candidates will not be bringing any significant pre-conceptions to the task. Further, the panel has assured itself that the collective team can hit the ground running – this is important to ensure timeframes are met.

Role	Preferred candidate	Brief bio	Commentary
Lead Reviewer	Frontier Economics (Frontier)	International consortium involving London Economics and Frontier's Australian and European branches Project Director: Danny Price (Frontier Australia)	• Excellent description of the importance of a well-functioning electricity system • Excellent description of the strengths and weaknesses of the NZ electricity system • Excellent description of the types of work needed to determine what changes should be made to our electricity system • No evidence of pre-determination of views
Peer Reviewer	Bushnell et al	Prof. James Bushnell Prof. Severin Borenstein Prof. Toby Daglish Dr Gordon Leslie	• Very high level of expertise and knowledge in the team • Broad international experience on all major issues pertaining to electricity markets and electricity systems
Peer Reviewer	NERA UK	British-based economics consultancy firm Project Director: George Anstey	• Good demonstration of the issues facing the NZ electricity system • Electricity market design experience across several jurisdictions including the United States, the UK, Europe, Australia and New Zealand • Good description of the role of a peer reviewer and the value that good peer review can add
NZ Expert	Concept Consulting (Concept)	NZ firm with over 25 years consulting experience in the energy field. Wide range of government and non-government clients Project Directors: Simon Coates & Ross Parry	• Access to relevant Concept reports Commercial Information • Access to forecasting reports including an electricity price forecast dashboard with granular downloadable data • Would provide background information to the lead reviewer, briefings as required, and ad-hoc queries on request

Lead Reviewer and Peer Reviewers

13. The provisional lead reviewer (Frontier) is an internationally respected firm with broad experience to draw on. The panel was particularly impressed by the quality of the Frontier bid. Their bid demonstrated an excellent understanding of the nature of the New Zealand

electricity market and the areas in which investigation is most needed. The bid also set out a useful and sensible description of the way in which they would go about their work.

14. The team that Frontier have assembled to work on the Review is impressive. The Project Director (Danny Price) has over 30 years' experience advising on and working in energy markets. He worked on the development of the Australian National Electricity Market. The Project Manager (Scott Stacey) has worked in analysing economic and regulatory issues in the utilities and infrastructure sectors (including electricity) for over 20 years. The bid draws on personnel from Frontier's Australian, Singaporean and European offices, as well as from London Economics International.
15. The two provisional peer review contracts would provide complementary skills and knowledge:
 - a. Professor James Bushnell brings with him a small team of international experts. These experts have worked on reviews of electricity arrangements in many jurisdictions. Included in the Bushnell group is New Zealand expertise.
 - b. NERA UK bring a range of practical knowledge to the table with electricity market design experience across several jurisdictions.

New Zealand Expert Role

16. The panel have provisionally identified Concept as the preferred candidate for the role of NZ Expert. The panel are currently of the view that Concept has a significantly greater level of expertise in depth than other candidates for the NZ Expert role and are best placed to fulfil this function.
17. Because Concept has been involved in previous reviews of the New Zealand electricity market, the panel discussed the potential risk that they could be perceived as not bringing fresh thinking to the table.
18. The panel are of the view that this perception risk can be managed. The role of the New Zealand expert is limited to providing the Lead Review team with information about the New Zealand context. It is not their role to influence solutions or recommend ways forward to the Lead Review team.
19. In their bid for the NZ Expert role, Concept stated that they "*understand the New Zealand expert can support the process by being responsive, contributing clear inputs to a high standard, and adding value by contributing insights that lift the quality of the work without disrupting the lead reviewer's momentum or attempting to assume their responsibilities*". This demonstrates Concept's awareness of the nature of the NZ Expert role.

Finalising the evaluation report

20. The panel is due to meet again later this week to reflect further on its deliberations. It is due to finalise its Evaluation Report by 23 December.

Next steps in completing the procurement process

21. The next steps to complete the procurement process are:
 - Panel finalises its Evaluation Report by 23 December
 - Successful candidates are notified by 24 December, and arrangements are made with each to complete contract negotiation in January 2025
 - Unsuccessful candidates are notified by 24 December

- Contract negotiation with each provider commences in early January 2025
 - Once all contracts are signed (expected by mid-January), the Lead Reviewer, New Zealand Expert and the two Peer Reviewers will be publicly announced
 - Review commences (refer Annex One for the Review process and target timelines).
22. We will prepare communications material for announcing who will be undertaking each of the Review roles, in conjunction with your Offices. It is important that no announcements are made until all contracts are signed, to ensure the contract negotiation process is not compromised. We anticipate contracts will be completed in mid-January, and we will provide you with an update on expected timing.
23. You have indicated you would like to jointly brief the Lead Reviewer when they commence their work. We will work with your respective Offices to identify a suitable time for this.

Annexes

Annex One: Overview of the Review process and target timelines

Annex One: Overview of the Review process and target timelines

In our briefing of 5 December [BRIEFING-REQ-0006941 refers] we provided you with an overview of the key milestones and target timelines for each of the three specialist roles, consistent with Cabinet decisions and the Terms of Reference. This is repeated here for ease of reference.

