

WATT'S ON

GSI UPDATE ///

Gas Services Information update



Kate Ryan, Joachim Tan and Greg Ruthven at the launch of the first GSOO

In August 2013 the IMO launched its new Gas Services Information – including the Gas Statement of Opportunities (GSOO) and the Gas Bulletin Board (GBB) – established under the *Gas Services Information Act 2012*.

The IMO's Gas Information Services Project (GISP), to implement the GBB and GSOO, was achieved through seed funding of \$350,000 provided by the Public Utilities Office and borrowings of \$2.665 million by the IMO. The IMO is pleased to report that the GISP was completed \$300,399 or 9.06% under budget. These savings will ensure future Gas Services Information fees paid by Gas Market Participants will be lower than previously forecast.

Gas Statement of Opportunities

The IMO has published two GSOO reports in six months; July 2013 and January 2014. The GSOO, which is intended to be published annually, provides an overview of the latest developments in the Western Australian gas sector, including a summary

of the WA natural gas market, domestic and international LNG markets, estimates of gas reserves, forecasts of domestic gas supply and demand and a discussion of issues relevant to the sector.

The IMO was pleased to be able to make considerable improvements to the demand and supply forecasts between its first and second GSOO reports. We would like to thank members of the Gas Advisory Board, Officers of State Government Departments, Gas Market Participants and other stakeholders who have assisted in their development. The IMO looks forward to engaging with gas stakeholders as we continue to evolve the GSOO to provide a valuable medium to long-term view of the Western Australian gas market.

We look forward to publishing the next GSOO report at the end of 2014.

Gas Bulletin Board

The GBB is a public website showing short-term forecasts and actual natural gas production, transmission, storage and consumption information for Western Australia.

The GBB has now been successfully operating for nine months. During this period the IMO, together with the Public Utilities Office, conducted the first test of the GBB's Emergency Management Facility (EMF).

The test was a success, confirming the EMF system operated as intended and provided some useful learnings to improve information flows in the future.

GBB at a glance

- 53 Registered Participants
- Average of 28 unique visitors per day
- A peak of 340 visitors on 2 August 2013
- 100% of GBB reports published on time (excluding scheduled outages)
- A wide range of visitors, including Gas Market Participants and members of the of the public

<http://gbb.imowa.com.au/>



Highlights from our CEO

We are currently experiencing busy and very exciting times at the IMO with much happening in the Western Australian energy markets.

The year commenced with the merger between Synergy and Verve on 1 January 2014. The IMO has worked extensively with the Merger Implementation Group, the respective Synergy and Verve implementation teams and our Market Participants, to ensure the Wholesale Electricity Market (WEM) operations were unaffected by the merger. I am pleased to advise that WEM operations were successful on 1 January 2014 with all pre and post merger activities successfully completed. Some of the key tasks included; processing a Rule Change Proposal; making system changes and processing Facility transfers to enable trading through a single Market Participant in the market systems; testing market and settlement outcomes and coordinating a market trial to enable testing of Synergy and Independent Power Producer submissions and transactions in the WEM.

On 6 March 2014, the Minister for Energy launched the State Government's Electricity Market Review. The Review will examine the structures of the electricity generation, wholesale and retail sectors within the South West Interconnected System (SWIS) in Western Australia and the incentives for industry participants to make efficient investment decisions and minimise costs.

The IMO welcomes the Review and believes in creating competition, transparency and accountability in the Western Australian energy sector. We will continue working closely with the Public Utilities Office and our Market Participants to provide greater transparency of relevant information and actively support the Review and the best outcome for Western Australian consumers.

On 29 April 2014, the IMO received a Ministerial Direction to defer the 2014 Reserve Capacity Cycle until 2015. This

is the first time the IMO has received a Ministerial Direction. Following the Direction the IMO hosted two fully subscribed stakeholder information sessions on the initial assessment of the Direction's impacts on the 2014 Reserve Capacity Cycle. This was aimed at facilitating information sharing and industry collaboration. For more information please see page 5.

The IMO team has a lot to be proud of. We are currently seeing more tangible benefits on a range of projects that have

exceeded the initial expectations and resulted in benefits to the State of the value of \$14.6m for the first year of balancing alone.

We recently held our annual appreciation dinner for our Market Advisory Committee (MAC). I would like to acknowledge the work and support that MAC continues to provide to the IMO. I want to thank our outgoing and existing members for their contribution in 2013 and welcome the new members for another interesting year ahead.

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The IMO is pleased to report that the Gas Information Services Project (GISP), which included the implementation of the Gas Bulletin Board (GGB) and the Gas Statement of Opportunities (GSOO), was completed \$300,399 or 9.06% under budget. The second edition of the GSOO was published in January 2014. I would like to acknowledge the considerable input and stakeholder engagement we have received. All feedback adds significantly to the veracity of the GSOO providing a valuable consolidated view for our Gas Market Participants.

Another significant project, the Market Evolution Program, put in place to introduce the New Balancing Market and the Load Following Ancillary Services (LFAS), has made a substantial contribution to the economic efficiency of the WEM since the balancing market transitioned nearly two years ago. In October 2013 Sapere Research Group undertook a cost benefit analysis. The outcome far

Lastly, I would like to mention that our graduate search for 2015 has commenced. I am very passionate about our Graduate Development Program. The Program was introduced in 2010 to address the difficulty in securing suitably experienced candidates to fill analyst roles and now plays a central role in our long term HR strategy. The Program continues to grow in popularity with a staggering 426 applicants last year and we welcome more this year.

In this edition of watt's on, you will learn more about these important activities, get to know our team better and see how the IMO aims to excel in the delivery of services to our stakeholders in the energy sector.

As always, I encourage you to share your thoughts and feedback with myself and my team, so please don't hesitate to get in touch.

Allan Dawson

2014 Annual Review of MAC Composition

The IMO recently completed the Annual Review of Market Advisory Committee (MAC) composition for 2014. The first MAC meeting for 2014 was held on 19 March 2014, which was followed by the annual MAC Appreciation Dinner to acknowledge and thank the 2013 MAC members for their efforts throughout the year. In his address at the dinner, IMO Chairman, Mr John Kelly said the MAC continues to play a crucial role in the Wholesale Electricity Market (WEM), noting that the WEM wouldn't evolve and operate as efficiently as it does without the continuing contribution and input from MAC members.

The purpose of the MAC is to advise the IMO in regard to rule changes, procedure changes and the operation of the electricity market and South West Interconnected System (SWIS) generally.

2013 saw the MAC cover a lot of ground. The key areas of work were:

- progressing three packages of rule changes from the work of the Reserve Capacity Mechanism Working Group;
- continuing the implementation of recommendations from the Outage Planning Review; and
- starting work on improvements to the energy market identified in the Market Rules Evolution Plan.

The IMO would like to acknowledge the efforts of Andrew Everett, Nenad Ninkov, Noel Ryan, Nerea Ugarte and Wana Yang who will not be continuing in their roles on the MAC in 2014. We are pleased to welcome new members and observers Andrew Stevens, Shane Duryea, Simon Middleton and Elizabeth Walters.



Annual MAC Appreciation Dinner 2014

The MAC for 2014/15 consists of the following members:

Allan Dawson	Chair	Geoff Gaston	Market Customer
Phil Kelloway	System Management	Steve Gould	Market Customer
Shane Duryea	Network Operator	Michael Zammit	Market Customer
Will Bargmann	Electricity Generation and Retail Corporation	Andrew Stevens	Market Generator
TBA	Small Use Consumers representative appointed by the Minister	Shane Cremin	Market Generator
Simon Middleton	Observer appointed by the Minister	Andrew Sutherland	Market Generator
Kate Ryan	Independent Market Operator	Peter Huxtable	Contestable Customers
		Elizabeth Walters	Economic Regulation Authority (Observer)

GRADUATE UPDATE ///

IMO Graduate Search for 2014/15

Applications for the IMO Graduate Development Program are now open and close on 30 June 2014.

The IMO invests in Western Australia's energy future by employing, developing and supporting emerging talent through our Graduate Development Program.

The Program has continued to grow in popularity since its inception in 2010.

The first year we received 26 applications, which doubled to 50 in 2011, 267 applications in 2012 and a staggering 426 applications last year.

During this period we have recruited seven graduates, four have been offered permanent positions and two are to complete their programs. The Program is a very efficient way of attracting high level individuals to the IMO and the Western Australian energy sector.

Graduates are involved in energy market evolution while building the critical skills they need as a new graduate. They will develop an understanding of the world of supply and demand markets and gain hands-on experience in a dynamic business environment.

During the 18 month program, graduates will work within a small team environment, rotating into different departments where they are encouraged to extend themselves

and continually expand their knowledge. The Program is designed to ensure graduates gain wide ranging experience which builds upon the knowledge and skills already acquired at university, ensuring graduates are career ready and highly marketable within the industry at the end of the Program.

The IMO attended UWA's 'Big Brekkie 2014' which provided a unique opportunity for final year students from Economics, Commerce and Engineering to meet the IMO team.

For more information on our Graduate Program and how to apply, please visit: <http://www.imowa.com.au/home/careers/graduate-development-program>



Market Evolution Program – Balancing Market Update

How time flies. It is now almost two years since the Market Evolution Program (MEP) initially went live on 1 July 2012 and 18 months since the Balancing Market transition period ended

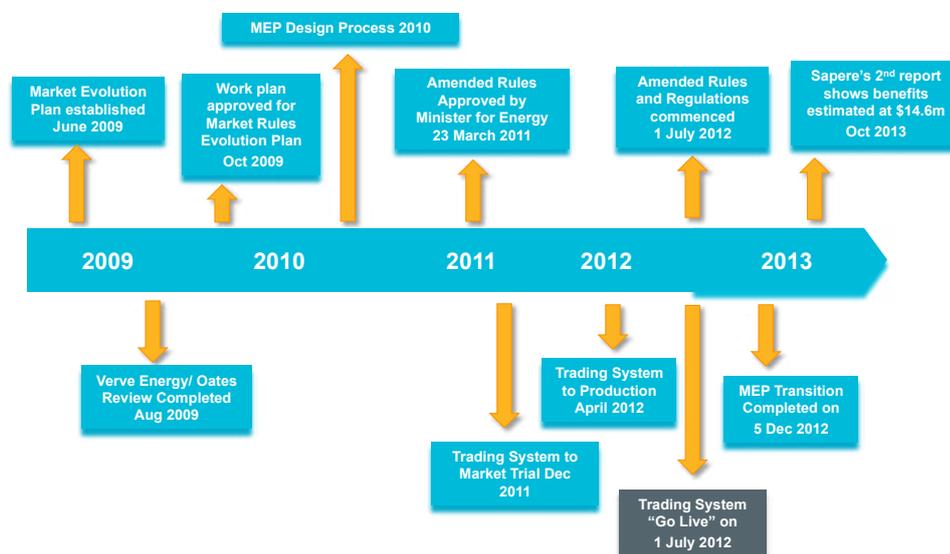
The New Balancing Market, or **Gross Dispatch Pool, close to real time market**, has now been live for about the same time as the design, build and testing process took to undertake.

Key milestones for MEP

A key highlight for this challenging substantial project was the way our stakeholders engaged on MEP with a significant amount of consultation over an extended period of time.

Once the project was initiated and in the build stage, the IMO engaged Sapere Research Group to complete a cost benefit analysis of MEP. The report completed in October 2011, indicated that the project would have an estimated benefit of \$9.6m in its first year of operation.

Two years after the completion of the report, once the market data was available to quantify the benefits for the first year of balancing, the IMO engaged Sapere Research Group again.



This time the report showed benefits far exceeded initial expectations with the value of \$14.6m for the first year alone.

This was an exceptional result and only considered factors identified in the first report. Aspects such as greater market transparency and the opening up of the Load Following Ancillary Services (LFAS) market are additional unquantified benefits.

The IMO is enormously pleased with the result, as should all Market Participants who made valuable contributions to the MEP.

The IMO would like to thank everybody who contributed to the success of MEP, as without industry support and involvement this would not have been possible.



2013/14 summer peak demand summary

The IMO has recently completed a review of the energy demand trends that were observed during the 2013/14 summer. The summer peak for 2013/14 was 3,702 MW measured during the 5:30pm trading interval on Monday 20 January 2014.

This summer's peak was approximately 1% lower than the previous year and lower than the 5-year average by approximately the same margin. Whilst underlying energy demand is slowly growing, the increase in phenomena such as rooftop solar systems and targeted consumption behaviour

by commercial customers appears to be limiting growth in the annual system peak. There is 317MW of solar PV installed in the South West Interconnected System (SWIS), reducing the system peak by approximately 85MW (2% of total); and commercial customers reduced consumption at the time of peak by approximately 50MW in response to price signals established in the Reserve Capacity Mechanism.

One of the IMO's goals is to promote greater information transparency and assist the market and general public

in understanding how the Wholesale Electricity Market (WEM) has evolved and operates. During the months of December 2013 to March 2014 the IMO published LoadWatch Summer 2014 which provided weekly snapshots of the level of available capacity and electrical load.

To continue following the load forecasts and summaries please visit our website:
<http://data.imowa.com.au/>

Ministerial Direction for 2014 Reserve Capacity Cycle

On 29 April 2014, the Minister for Energy directed the IMO to defer the following processes in the 2014 Reserve Capacity Cycle by one year:

- Certification of Reserve Capacity
- Bilateral Trade Declarations
- Assignment of Capacity Credits
- Processes associated with the Reserve Capacity Auction (excluding the running of the auction)

This is the first time the IMO has received a Ministerial Direction, which was issued under the *Wholesale Electricity Market (Independent Market Operator) Regulations 2004*.

The IMO held two stakeholder information sessions on 1 May 2014 to outline our initial assessment of the Direction's impacts on the 2014 Reserve Capacity Cycle. The presentation can be found on our website: <http://www.imowa.com.au/home/presentations>

The Direction only affects the 2016/17 capacity year. It does not cover the 2014/15 or 2015/16 capacity years, for which capacity credits have already been assigned. All Reserve Capacity Mechanism activities related to these capacity years will continue as planned.

The Direction does not explicitly extend the publication date for the 2014 Electricity Statement of Opportunities (ESOO), which is required to contain the Reserve Capacity Requirement for the 2016/17 capacity year. The IMO is currently looking into the implications that may arise if not publishing

the 2014 ESOO as scheduled in June 2014, including:

- conducting 2014 Reserve Capacity Cycle based on demand forecasts (and a Reserve Capacity Requirement) that may be out of date; and
- potential impacts on other Reserve Capacity Mechanism processes if 2014 ESOO is not published first.

Even if the IMO Board decides to defer the publication of the 2014 ESOO until 2015, the IMO will still publish a substantial report in June 2014 including market analysis and updated demand forecasts.

To stay up to date with the revised dates for the 2014 Reserve Capacity Cycle, the development of the ESOO and any future IMO presentations please refer to our website.

STAFF UPDATES ///

Site visit to Tamala Park power station

A group of 12 IMO staff visited Landfill Gas and Power's (LGP) 5 MW Tamala Park power station. The power station is located within the Tamala Park landfill site owned by the Mindarie Regional Council, which manages waste disposals for six local governments.

Commissioned in January 2004, Tamala Park power station is the largest landfill gas power station of the five operated by LGP that supplies electricity to the South West Interconnected System (SWIS) in Western Australia.

The group, which included IMO staff from the Market Development, Operations and System Capacity teams, were given the opportunity to view different parts of the facility, to understand how the facility is managed and operated.

The IMO would like to thank LGP staff for their kind invitation to visit the site.



Erin Stone

Team Leader, Rule and Procedure Changes Market Development

Erin joined the IMO in May 2012 to manage the team that administers and develops the Market Rules, Gas Services Information Rules and related Procedures. She is currently managing the development of a proposal to Government to establish a gas trading platform to increase the competition and efficiency of the market and is also progressing several changes to improve the operation of the Wholesale Electricity Market.

Erin holds a Bachelor of Commerce (Economics) and Bachelor of Arts (Japanese) from Curtin University of Technology as well as a Master of Public Administration (Regulation) from the John Curtin Institute of Public Policy.

After graduating from Curtin in 2006, Erin moved to Darwin as a graduate for the Northern Territory Treasury where she progressed quickly into a management role, returning to Perth to develop the State's macroeconomic forecasts for the Department of Treasury and Finance. In 2010 Erin joined the Regulatory Gatekeeping Unit to undertake cost benefit analyses of new and amending legislation and started tutoring in Public Economics and Microeconomic Theory at Curtin. Before joining the IMO, Erin developed the expenditure forecasts for the third Access Arrangement for Western Power.

Erin's next challenge is completing her PhD. She is very interested in the gas industry and is looking to assess the impacts of



the introduction of a short term gas and capacity trading mechanism on the WA economy.

Away from work, Erin's passion lies with cooking (and eating) and combines this with her love of travel. Erin is planning her next trip to France and Spain on a food and wine tour, but will be kept busy with her study in the meantime.

Graham Miller

Senior Lawyer Legal and Compliance

Graham provides legal, commercial and regulatory advice to support the IMO's operations and strategic objectives. Graham also assists with compliance monitoring and investigations of possible breaches of the Wholesale Electricity Market Rules and the Gas Services Information Rules.

Graham was born and raised in New Zealand before moving to Perth in 2007 – he has politely listened to many sheep jokes and lawyer jokes since then!

Graham graduated from Waikato University in New Zealand with first-class honours degrees in law and international business management. He has a background in corporate and commercial law, with a particular emphasis on energy and resources.

Before joining the IMO, Graham worked

for New Zealand's corporate regulators: the Inland Revenue Department; the Takeovers Panel; and the Commerce Commission where he focused on competition and energy issues. He has also worked for Australian law firms up to senior associate level.

Outside work, Graham enjoys spending quality time with family and friends.



Key Dates and Upcoming Events ///

June 2014

- 11 **IMO Training**
Energy Market Introduction
- 11 Market Advisory Committee Meeting
- 17 Electricity Statement of Opportunities (ESOO) and Reserve Capacity Information Pack published

- 18 **IMO Training**
Reserve Capacity Mechanism
Market Operations, STEM and Balancing

- 30 Applications for our Graduate Development Program close

July 2014

- 1 Applications for Certification of Reserve Capacity close

- 9 **IMO Training**
Energy Market Introduction

- 9 Market Advisory Committee Meeting

- 16 Gas Advisory Board Meeting and Annual Appreciation Dinner

- 23 **IMO Training**
Reserve Capacity Mechanism
Market Operations, STEM and Balancing

Please visit our website for the most up to date information on upcoming events www.imowa.com.au