

WATT'S ON

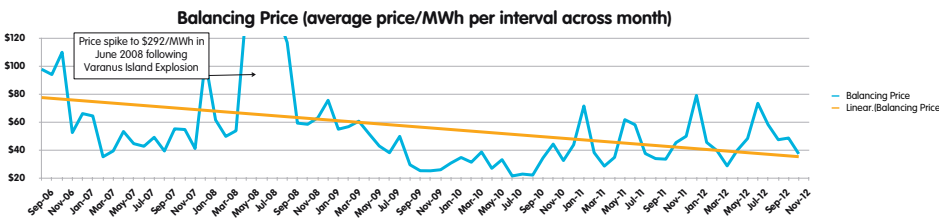
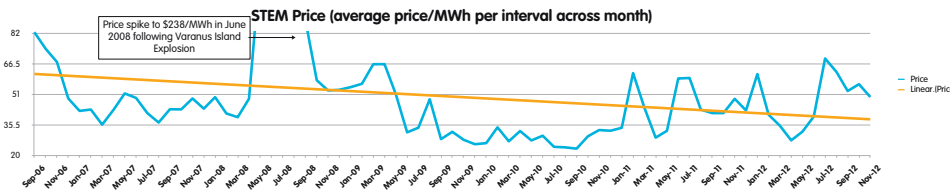
WEM UPDATE ///

Price, volume trends show competition in WEM is working

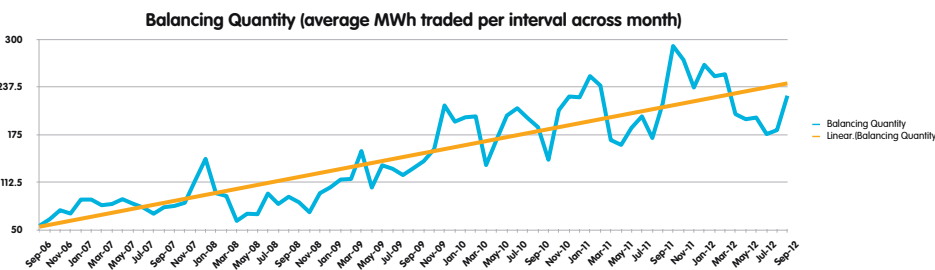
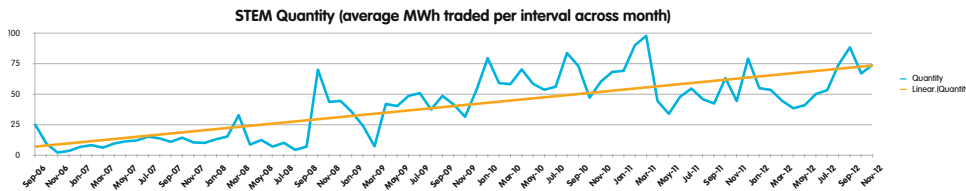
The IMO is pleased to note the continuing long-term trend of increasing average STEM and balancing monthly traded volumes, while average monthly STEM and balancing prices per MWh have decreased over the same period.

These data suggest confidence in market-based mechanisms for energy trading and price discovery in WA continues to grow. This lends weight to the industry's ongoing efforts to further increase competition in WA's wholesale electricity market.

Price Trends - Stem & Balancing



Volume Trends - Stem & Balancing



The Directors and staff at the IMO wish all our customers and stakeholders a happy and safe holiday season and we look forward to working with you again in 2013.



MEP UPDATE ///

New Balancing Market already showing benefits

5 December 2012 marked the culmination of the Market Evolution Program (MEP). 18 months of concerted effort by the IMO and the industry has resulted in the design and implementation of new balancing and load following markets with improved dynamism and enhanced WEM systems and procedures.

The new balancing market design is a considerable evolutionary step for the WEM and is more akin to a Gross Pool market construct.

5 December will be reflected upon as the day the MEP transition arrangements ended and the remaining elements of competitive Balancing and Load Following Ancillary Services (LFAS) Markets were put in place.

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We are gratified that the MEP has delivered:

- a new Registration system,
- a real time Balancing Market,
- a real time Load Following Ancillary Services Market and
- a significant enhancement in market transparency.

The new Markets have made a significant contribution to the economic efficiency of the WEM and include the following features:

- increasing IPP participation in balancing,
- ensuring consistency between the balancing price and dispatch,
- removal of the Downwards Deviation Administration Price (DDAP) and Upwards Deviation Administrative Price (UDAP),
- enabling IPPs to compete with Verve Energy to provide LFAS,
- removal of the 'generation level' component of the Net STEM Shortfall calculation and
- stronger emphasis on surveillance and compliance.

In addition, the MEP has provided more real-time market data and enhanced transparency in terms of forecast prices, forecast dispatch quantities, load forecasts, outages, available capacity,

plants commissioning and non-scheduled generation forecasts. The considerable enhancement in the transparency of this key market data will enable Market Participants to better manage their business and their risk exposure to the WEM and will ultimately drive towards a more efficient electricity market.

As the transition arrangements ended on 5 December 2012 the offer gate closure reduced from six to two hours and IPP offer tranches increased from four to ten hours. With price-based dispatch based on real-time market conditions, the MEP has delivered cost-reflective market prices and encouraged further competition in the WEM.

At the beginning of the MEP, Sapere Research Group was engaged to undertake a cost benefit analysis (CBA) to assess the costs and benefits that would flow to the market from the proposed new Balancing Market. Although competitive balancing has only been operating for a short time, the IMO commissioned Sapere again to look at whether the benefits identified in the CBA were starting to materialise.

The original CBA indicated that changes in behaviour as a result of the Balancing Market would result in between \$7.8 million (low benefits scenario) and \$9.6 million of benefits (high benefits scenario) for 2012/13.

Sapere has estimated that the benefits already delivered in WEM in the first four months of operation are in the order of \$5.1 million and has suggested that the benefits that would accrue once the two remaining benefits are able to be assessed (lower cost balancing capacity and early return from outages) will be approximately \$15.3 million in the first full year of operation.

In essence, early signs of the market are indicating that it is delivering some of the identified benefits. These trends are consistent with the long-term trends of increasing STEM and balancing traded quantities and reducing average prices.

As 2012 comes to a close, we would like to take this final opportunity to congratulate and thank all Participants who contributed to the MEP.

This significant change is already proving to be a much fairer and more equitable system as for the first time Participants are now able to be fully functional in the market.

We look forward to seeing the market continue to operate more efficiently in 2013 and beyond.

STAFF UPDATES ///

Spotlight

Since the IMO moved offices to the 17th floor of Governor Stirling Tower, visitors have been greeted by our smiling and highly capable front office team of Laura Tompkins and Chloe Mason. As the first point of contact for our customers either

by phone or in person, Laura and Chloe's job is to provide a high level of service to clients, stakeholders and staff and to ensure the smooth running of the office on a daily basis. In addition, they coordinate IMO training and assist with events.

If you have not already met our new front office team, they will be delighted to welcome you on your next visit to the IMO.



Laura Tompkins
Senior
Administrator



Chloe Mason
Front Office
Administrator

SYSTEM CAPACITY UPDATE ///

5 Yearly Review Update

This year the IMO conducted reviews of the Planning Criterion and the process by which it forecasts SWIS peak demand. These reviews are required to happen every five years in accordance with the Market Rules.

Thanks to those stakeholders who participated in the review process by providing written submissions and by attending one or both workshops held in August and September 2012. The workshops brought together

the consultants who conducted the reviews, members of IMO's System Capacity team and stakeholders. Public consultation such as this is invaluable as face to face discussions promote greater understanding between all parties and importantly allows stakeholders to contribute to the process.

The final reports for both reviews have now been published and can be found on at www.imowa.com.au/rcreviews

The IMO is currently progressing the recommendations from the reviews and expects to see the outcomes reflected in the 2013 Statement of Opportunities (SOO). We anticipate stakeholders benefitting from improved transparency of the demand forecasting process enabling them to better plan for the future via more efficient forecasting.



LoadWatch: Summer 2013 loadwatch

The weekly LoadWatch report is again being published by the IMO during the summer months of 2012-2013.

Loadwatch provides an insight into likely demand patterns during the summer and is useful for understanding the correlation between system load and daily temperatures. Also included is 'Lookback Summer 2012' so readers can compare this year's data with last year's.

Please note, the LoadWatch forecasts provide only a snapshot of the coming

week's expected load. For more detailed forecast information please refer to the Short Term PASA information available at <http://www.imowa.com.au/stpasa.html>

Our thanks to System Management for providing data making Loadwatch possible.

You can find Loadwatch at www.imowa.com.au/loadwatch

For more information, contact operations@imowa.com.au

Foodbank



The IMO has again this year assisted with Foodbank's Christmas appeal. In 2011, our involvement helped to supply around 50 meals to people in need. Collection boxes were filled over December with food items brought in by staff which were then collected by Foodbank.

This worthwhile cause reaches into communities throughout WA. It's a very easy way to make a difference.

For more information, contact Foodbank on 9258 9277 or wa.info@foodbankwa.org.au

Gas Information Services Project

Progress is continuing on the GISP to implement a new Gas Bulletin Board (GBB) and Gas Statement of Opportunities (GSOO). Consultation on the first draft of the Rules for the GBB and GSOO concluded in November and responses are currently being compiled. The IMO previously indicated it would undertake the final round of consultation on the draft Rules in December 2012 however, as the Gas Services Regulations are still being drafted, the IMO has postponed this next round of consultation to early 2013.

The IMO considers it inappropriate to continue consultation on the draft Rules without these Regulations being available (which set the framework for the Rules) and notes that this concern was raised by a number of stakeholders in submissions to the first draft Rules.

The delay means the implementation of the GBB will be delayed, now scheduled to go live on 1 August 2013. Preparation of the first GSOO should not be affected however and remains on track for publication by July 2013.

A cost-benefit analysis commissioned by the IMO is being finalised, and is expected to be published by the end of 2012.

For more information, visit www.imowa.com.au/gisp-overview or contact Kate Ryan, Project Director at kate.ryan@imowa.com.au.

If you would like to be included on the GISP email distribution list, contact imo@imowa.com.au



IMOarsome squad rows to victory

On Sunday 25 November 2012, the IMOarsome rowing squad won this year's Fremantle Corporate Regatta in a photo finish amidst rapturous applause on the banks of the Canning!

The team, which endured a month of training leading up to the regatta, comprised IMO staff members George Sproule, Paul Tetley, Bobby Ditric, Ben Williams and Jake Flynn.

In a nail biting day, IMOarsome finished with the fourth fastest time in one of the heats - just enough to scrape into the A grade final.

Then, in the final, despite being slow off the mark, IMOarsome drew back to the front of the pack and took first position with just 0.6 of a second margin between the first and second places.

Well done to all in what was a very tight race!



IMOarsome take first place

Six Sigma Training

In November, 20 IMO staff completed a two day Six Sigma course to give them a methodology to improve processes across the organisation.

At the end of the course, attendees were able to apply the Six Sigma methodology to their day-to-day work and "define, measure, analyse, improve and control processes leading to measurable financial results."

IMO Human Resources Manager, Gemma Marriott said, "this course is about identifying relevant process improvement rather than thinking processes have to be done as they have always been done before in the past".

In February, the remainder of IMO staff will also complete the course. Following this, one person with an interest in the extended Six Sigma course will be nominated as the

IMO Six Sigma Champion. This person will be responsible for ensuring process improvement projects are monitored and completed across the organisation.

The IMO is committed to providing staff with quality training programs and supports a culture of continuous improvement. Streamlined processes will lead to greater efficiency and a more cohesive IMO.

As an added bonus, thanks to our new premises complete with training facilities, we were able to hold the course in-house making it more convenient for staff to attend.

GRADUATE UPDATE ///

IMO Graduate Program

The IMO's Graduate Development Program continues to grow from strength to strength attracting twice as many applicants in 2012 as in 2011. The Program is now sought after amongst the graduate community as its reputation increases each year.

Our Graduate Program is a very efficient way of attracting high level individuals to the IMO. Graduates are provided with excellent training and work experience and become equipped with a strong, broad based grounding in the energy industry.

Since the Graduate Program's inception in 2010, we have recruited five graduates.

Three have completed the program successfully and have gone on to take up roles within the IMO. A fourth graduate, Bryn Garrod (profiled below) has just commenced with us having relocated here from the UK in November.

Our fifth graduate – the second to be appointed for 2013 – will commence in February. This is the first time we have appointed two graduates in one year, underpinning further the continuing success of the program.

For more information and key dates of the Graduate Program, please visit www.imowa.com.au/graduate



2013 Graduate: Bryn Garrod

As one of the IMO's 2013 graduates, Bryn will spend next year rotating around the teams at the IMO gaining an understanding of the different roles and business areas. He has already commenced in the Market Operations team, he'll then move to Market Development, then System Capacity and finally he will work with the Compliance team.

Bryn holds a Master of Arts in mathematics (Cambridge), a Master of Mathematics (Cambridge) and a Doctor of Philosophy in mathematics (Cambridge). After completing his PhD, he spent a year working in an IT strategy role at the UK's Ministry of Justice before he and his wife decided to emigrate to Australia.

We welcome Bryn warmly to the IMO.

upcoming events

JANUARY 2013

21 Second draft Rules for GBB and GSOO released for consultation.

23 **IMO Training**
Market Overview

BOOK NOW!

31 Request for Expressions of Interest published (which will include the final 2015/16 Maximum Reserve Capacity Price)

FEBRUARY 2013

06 Stakeholder workshop to discuss second draft Rules for the GBB and GSOO

06 **IMO Training**
Reserve Capacity Mechanism

BOOK NOW!

07 GAB Meeting

13 MAC Meeting

20 **IMO Training**
Market Operations, STEM and Balancing

BOOK NOW!

22 Submissions close on second draft Rules for the GBB and GSOO

27 **IMO Training**
Market Overview

BOOK NOW!

MARCH 2013

13 MAC Meeting

13 **IMO Training**
Reserve Capacity Mechanism

BOOK NOW!

19 GAB Meeting

27 **IMO Training**
Market Operations, STEM and Balancing

BOOK NOW!

IMO Graduate recruitment for 2014 commences