

watt's on

Market Evolution Program

MEP

MARKET EVOLUTION PROGRAM

The IMO is pleased to announce that the Market Evolution Program (MEP) - the large body of work that will see the Wholesale Electricity Market moved forward into its next phase - has begun in earnest.

By way of background, earlier this year, the MAC made recommendations to the IMO Board regarding a number of issues with the current market model. It was agreed that initial work should assume the retention of the current hybrid market design, pushing evolving this design as far as practicable, prior to considering exploration of further market design options.

Key sections in the Market Rules and related systems need to be reviewed and developed to make way for revisions in the current market model. As a consequence, a Rules

Development Implementation Working Group (RDIWG) has been formed to oversee these improvements. This work will form the basis of the MEP.

As part of the initial planning stage, the IMO has established a specialised MEP team that will work collaboratively with the industry. Budgeting and resourcing the program is also well underway.

The Working Group is currently looking at:

- options for greater use of balancing support contracts;
- balancing pricing issues;
- investigating options for running STEM later in the day; and
- issues surrounding Reserve Capacity refunds.

Due to the significance of the program and the level of resources required, the MEP team will work from a dedicated office located close to the IMO at 190 St Georges Terrace, for the next twelve months. The team, which has been structured to ensure minimal impact to existing IMO operations, comprises a combination of IMO staff and external consultants including Jim Truesdale of Concept Consulting, Greg Thorpe of Oakley Greenwood, Stefan Korn of Igniter and PSC consultants. Douglas Birnie has been appointed Program Manager, see Spotlight on page 2.

One of the challenges facing the MEP is the IT implications. The team will need to assess how current or new IT functionality will be involved, while endeavouring to keep overall costs down but delivering the necessary changes.

The MEP will be advising the Market on solutions that will drive the industry to change. The IMO is extremely enthusiastic about this program as it denotes the beginning of an exciting phase in our industry. We look forward to updating you on developments and program milestones via 'MEPWatch', an email update that will be sent to Market Participants on a regular basis.

INSIDE

PAGE 2

- Compliance
- Spotlight - Douglas Birnie
- Thanks to MAC

PAGE 3

- Tenth Energy in WA Conference
- Certification Update
- IMO Visit to ERM

PAGE 4

- IT Restructure
- RulesWatch
- City to Surf
- Operational Plan Approved
- Settlement System Improvements



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Compliance

This year the IMO initiated a review of its internal processes and increased the level of its internal compliance monitoring. This monitoring uncovered 45 rule breaches, however, many of these will be resolved either by amending the Rules or by finetuning operational practice. The IMO did not consider that any of the rule breaches would have a material impact on Market Participants.

Each year, as a requirement of the Market Rules, the IMO conducts an external audit, of its compliance processes. As part of this year's audit the IMO voluntarily disclosed to the auditor, PA Consulting, the rule breaches that had been identified. The auditor's report confirmed the IMO's view that all the breaches were non-material and did not have any impact on operations. The auditor found that the larger than usual number of rule breaches was due to better processes

being put in place on the part of the IMO. The audit report noted that the IMO had placed an 'increased emphasis' on the quality of its internal procedures and its monitoring and recording of possible compliance breaches. PA Consulting welcomed the IMO's emphasis on quality as it "reinforced the confidence in the operation of the market that market participants require".

The auditor found that the IMO had generally complied with its obligations under the Rules. PA Consulting went so far as to state that, in its view, the increased number of non-compliances should be seen positively and as a "manifestation of the on-going improvement in the integrity of the operation and development of the market" which has been brought about by the efforts of the IMO as it continually strives for higher standards of performance.

The Minister of Energy will be provided with a copy of the Market Auditors' final report which will also be published on the IMO website. For more information, please contact Barbara Sole, Manager Legal and Compliance at barbara.sole@imowa.com.au



Spotlight – Douglas Birnie – Program Manager, MEP



Douglas Birnie has been appointed Program Manager for the Market Evolution Program (MEP).

He is well versed in implementing large change projects having recently worked as Director, Policy and Risk in the Ministry

for Agriculture and Forestry, New Zealand, where he oversaw the implementation of several large-scale projects including redesigning the border clearance operations.

Prior to this role, he worked with the Law and Economic Consulting Group (LECG) in New Zealand where he gained considerable electricity market experience in several jurisdictions including Singapore, Philippines and New Zealand.

Projects included the development of a performance management framework for the independent market operator in Singapore and an open transmission contract for the main transmission provider in the Philippines.

Douglas holds a first class honours degree in economics and a diploma in business studies.

We welcome Douglas to the IMO and look forward to benefitting from his experience.

Thanks to the MAC

The IMO hosted a dinner on Wednesday 8 September to thank the current members of the Market Advisory Committee (MAC) for their efforts and contribution to the industry. The event also marked the fourth anniversary of the WEM. An evening such as this allows key representatives of the industry to come together and acknowledge the progress that has been made since Market start. It is also a welcome opportunity for the MAC members and the IMO Board and staff to get together. The IMO would like to thank all who attended for a most enjoyable evening.



Tenth Energy In WA Conference



The Tenth Energy in Western Australia Conference 2010 was held on 21 and 22 September. IMO CEO Allan Dawson gave a presentation on the technological revolution facing the electricity industry. To view the presentation please visit <http://www.imowa.com.au/presentations>

The IMO would like to extend its congratulations to the organising committee for hosting the premier energy conference in Western Australia. It was both informative and well organised.

Certification Update

Applications for Certification for Reserve Capacity closed in late July. A review of all applications concluded in early August and the IMO recently sent out notification of certification status. Details were also published on the website at this time see <http://www.imowa.com.au/capcreditinfo>

This year, 105 facilities were assigned Capacity Credits, representing a 20 per cent increase from last year. This is largely due to strong growth in DSM and facility upgrades and refurbishments.

5,501 MW of capacity was required and 5,996 MW of capacity will be allocated Capacity Credits ensuring more than enough for 2012/2013.

All facilities must apply for Certified Reserve Capacity and must do so each year in order to be eligible for Capacity Credits.

For more information please email system.capacity@imowa.com.au



IMO visit to ERM, Brisbane

In mid September, Allan Dawson, CEO, and Bruce Cossill, Manager Market Operations, visited ERM Power in Brisbane so the IMO could witness first-hand the differences in trading on the NEM (operated in the eastern states by AEMO) and WA's WEM.

The IMO representatives were able to compare and contrast the information provided to, and used by, Participants in two separate markets that have material design and structure differences.

The visit reinforced the value to Participants of receiving timely, relevant and quality market information to enable them to make better trading decisions. As a result, the IMO undertook to explore ways of improving transparency and service delivery in this area of market operation.



IT Restructure

The IMO IT business has undergone significant change over the last two years and as a consequence the IT team is undergoing a restructure.

The IT business has shifted from a philosophy adopted at Market start of relying entirely on a vendor for the delivery of a reliable, efficient and compliant market system to a philosophy of owning, operating and the strategic evolution of our market systems. The changes are symptomatic of the IMO entering the mature phase of its lifecycle.

The MEP will also require changes to the Market that are likely to result in significant system change.

Due to the changes, existing IT Manager, Arthur Pettigrew, will be leaving the IMO. Arthur will continue with the IMO on contract over the next six months to assist the transition to the new team structure. We are indebted to Arthur for his contribution since Market start and wish him well in his future endeavours.

The new IT structure aims to ensure that adequate focus and momentum is maintained in each of the key business areas, culminating in an IT structure that adequately services the Market and delivers to stakeholders.

RulesWatch

RULESWATCH

RulesWatch, published on a weekly basis, provides an update of what's happening in the IMO's Market Development team. It contains information on forthcoming events and any rule and procedure change proposals and other reviews currently open for consultation. It also contains a summary of the previous week's publications.

The RulesWatch initiative started in December 2010 in response to feedback from the Market requesting regular updates on the Market Rules in one, easy-to-read format. It continues to receive positive feedback. RulesWatch can be found at <http://www.imowa.com.au/ruleswatch>

City to Surf

This year a large contingent from the IMO participated in the annual City to Surf completing either the 12km walk or run. Most IMO teams were represented. Participating staff included Zara Blatchford from the IMO Finance and Administration team, Ian Chew and David Gilks from IT, Bruce Cossill, Bobby Ditric and Kris Ellery from Market Operations, Fiona Edmonds, Jenny Laidlaw and Monica Tedeschi from Market Development and Pauline Key and Justine Oxley from the Corporate team.

Well done to all who took part and see you next year!



Operational Plan Approved

The 2010/11 Operation Plan was approved with no changes by the Minister for Energy in July 2010. The Operational Plan sets out the IMO's proposed work program for the 2010/11 period.

If you would like to publish something in the IMO newsletter please contact Justine Oxley, Communications Manager at justine.oxley@imowa.com.au

Contact the IMO:

We welcome your feedback at any time. If you would like more information or would like to receive a copy of **WATT'S ON**, please email us at imo@imowa.com.au

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Settlement System Improvements



Due to the IMO implementing a series of recent enhancements to the settlement system, improvements to initial and adjustment settlement run times have been achieved. The enhancements allow for more thorough review during the settlement process and a smoother settlement process generally. The average settlement run time is now reduced from approximately 40 hours per run to just over four hours.

The IMO is continuing to look at additional system upgrades expected to be integrated over the next six months. These will further improve operational efficiency and service delivery to Participants.

The improved settlement process is due largely to the tireless work of Bobby Ditric, who has recently been appointed Senior Settlement Analyst after acting in this role for the past four months. Bobby has been at the IMO for two and a half years, initially as a Market Operator. His promotion is testament to the IMO's commitment to developing staff for more senior positions within the organisation. The IMO wishes Bobby well in his new role.