imo
Independent Market Operator

Annual Report 2008/09

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Independent Market Operator
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Chair and Executive Report

This year has been one of consolidation for the Independent Market Operator (IMO).

The Reserve Capacity Mechanism continues to perform well, once again delivering sufficient capacity to meet Western Australia's load growth. In 2008/09 the IMO awarded capacity credits to existing and new generating capacity and demand side management to meet the forecast demand for 2010/11.

Since the market began, Western Australia's reliance on coal fired generation has reduced from 44% of the market to 34% with increased electricity generation from gas and renewable sources. The current fuel mix of the Wholesale Electricity Market is:

- 35% gas fired,
- 20% duel (gas and oil) fired,
- 34% coal fired; and
- 4% renewable.

This year has seen the entry of two new generation facilities at Kwinana (NewGen) and Collie (Griffin Bluewaters 1) adding to the state's fuel diversity and efficiency.

The IMO has recently published the second Market Rules Evolution Plan. For the first time this process involved Market Advisory Committee members determining the work priority through a ballot. Allowing market stakeholders to set the direction of market evolution in this way is a significant demonstration of maturity for the market.

Work continues on the tasks highlighted in the IT systems roadmap. The first two major deliverables in this project will be a new IMO website and a Market Participant Interface. These initiatives will provide the IMO with the tools to enhance market transparency.

This year the IMO launched a regular newsletter, Load*W*atch: Summer 09 (a weekly snapshot of the level of available capacity), and a Reserve Capacity Mechanism Review. These initiatives to enhance market transparency were well received by stakeholders.

Market training has gone from strength to strength over the last year. The IMO restructured its two-day course into more digestible half-day modules. Interest from Market Participants in these shorter modules has increased significantly as a result. Since September 2008 the IMO has conducted twenty-one half-day training sessions with approximately 220 attendees. Demand continues to be strong, with courses booking out well in advance.

The IMO continued to prudently manage its financial performance during the year, with annual cost of $11,456,000 compared to its approved budget of $11,947,000.

The Wholesale Electricity Market in Western Australia was thoroughly tested in June 2008 when the explosion on Varanus Island disrupted 30% of Australia's natural gas supplies and affected market outcomes during the months that followed. The market performed well with prices reflecting the market fundamentals.

At the time of the Varanus Island explosion it became clear that a small amount of natural gas was available but there was no mechanism in place to facilitate the trading in natural gas. After an amendment to the *Electricity Industry (Independent Market Operator) Regulations 2004* the IMO launched the Gas Bulletin Board (GBB) in July 2008.

The GBB operated for fifteen weeks and provided a platform for the Western Australian gas industry to facilitate trading of natural gas between buyers and sellers. The GBB provided a strong indication that a formal regulated gas market could be successfully implemented in Western Australia.

The ongoing operation of the Wholesale Electricity Market requires a significant amount of effort and support from Market Participants and stakeholders. The IMO appreciates their efforts in making the Western Australian market a more efficient place to trade.

Over the last year the IMO has realigned its internal structure to reflect its operational responsibilities. This has required significant readjustment from the IMO management team, for which we are grateful.

The IMO stands ready to further support the Western Australian electricity industry on its reform journey.

John Kelly

CHAIR

Allan Dawson
CHIEF EXECUTIVE OFFICER

1. Corporate Profile

The IMO is a body corporate that was established on 1 December 2004 to administer and operate the Wholesale Electricity Market of Western Australia.

The key roles and functions of the IMO are set out in the following instruments:

- Wholesale Electricity Market Rules;
- *Electricity Industry (Wholesale Electricity Market) Regulations 2004;* and
- *Electricity Industry (Independent Market Operator) Regulations 2004.*

1.1 Market Objectives

The *Electricity Industry Act 2004* sets the objectives of the Wholesale Electricity Market. These objectives are:

- to promote the economically efficient, safe and reliable production and supply of electricity and related services in the South West inter-connected system (SWIS);
- to encourage competition among generators and retailers in the SWIS, including by facilitating efficient entry of new competitors;
- to avoid discrimination in that market against particular energy options and technologies, including sustainable energy options and technologies such as those that make use of renewable resources or that reduce overall greenhouse gas emissions;
- to minimise the long-term cost of electricity supplied to customers from the SWIS; and
- to encourage the taking of measures to manage the amount of electricity used and when it is used.

1.2 IMO Governance Framework

The IMO Board is the governing body with authority to perform the functions, determine policies and control the affairs of the IMO.

The IMO Board is appointed by the Minister for Energy and operates in accordance with the *Electricity Industry (Independent Market Operator) Regulations 2004*.

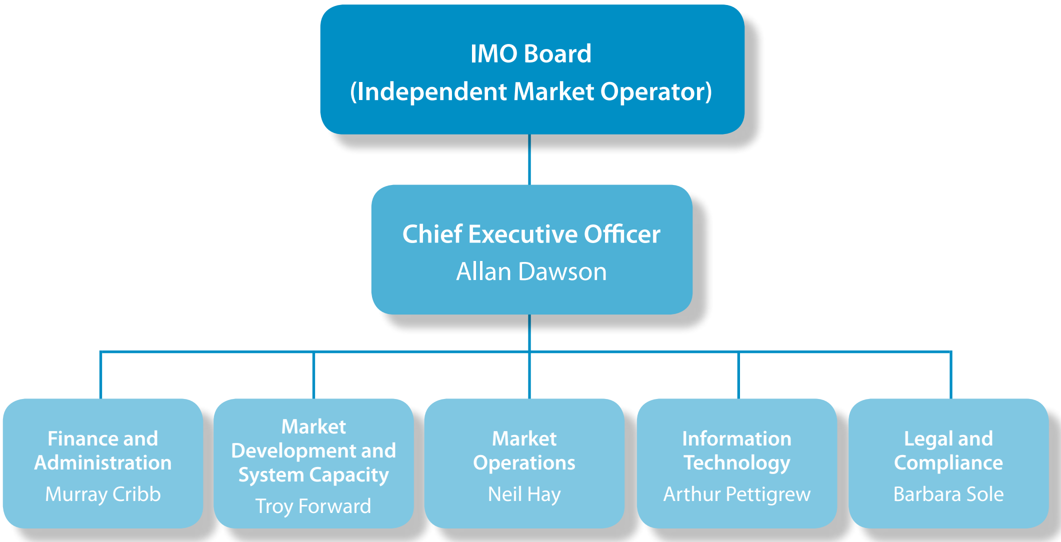
IMO Board members are:

- John Kelly (Chair),
- Shaun Dennison; and
- David Huggins.

1. Corporate Profile

1.3 IMO Organisational Structure

Figure 1. IMO Organisational Chart



1.4 Strategic Objectives

The IMO's Strategic Objectives

Operational Effectiveness and Efficiency

- The IMO team, and its systems and processes have strong integrity and operate effectively and efficiently.
- Generation and demand side management capacity is sufficient to meet demand.

Market Development

- Evolution of the Market is appropriate and managed effectively.

Customer and Stakeholder Satisfaction

- The IMO is recognised as effectively managing its relationships and communications in support of the Market.

Financial Responsibility

- Market costs are minimised and funds are used effectively and prudently.

The IMO reviewed its strategic objectives in 2008/09. The updated strategic objectives were published in the 2009/10 Operational Plan.

2. 2008/09 in Review

2.1 Key Performance Indicators 2008/09

Strategic Objective: IMO Operational Effectiveness and Efficiency

Measure	Performance Expectation	Actual Performance
Audit and Certification of Systems	Certified	**Certified**
Market System Availability	≥ 95% of time	**99.4%**[1]
No. of STEM Suspensions	< 4 pa	**One suspension**
Release of Market Incident Reports	≤ 20 Business Days	**Achieved**
Late Settlement Statements (STEM & Non-STEM)	< 3 pa	**1 late statement**
Reserve Capacity Processes Timelines	Achieved	**Not achieved**[2]

Strategic Objective: IMO Market Development

Measure	Performance Expectation	Actual Performance
Market Rule & Procedure Changes completed within Rule Timeframes IMO initiation of process time extensions	≤5%	**11.3% of deadlines extended**[3]
Reviews of Market Parameters (Price Caps, Ancillary Services, Loss Factors)	Within timelines prescribed by Market Rules	**Achieved**
Market Development Reviews	In accordance with the timeframes published in the Market Rules Evolution Plan	**Not achieved**[4]

Strategic Objective: IMO Customer and Stakeholder Satisfaction

Measure	Performance Expectation	Actual Performance
Formal Market Training Sessions	4 pa	**20 sessions completed**
Market Information Sessions and Presentations	4 pa	**7 sessions completed**

Strategic Objective: IMO Financial Responsibility

Measure	Performance Expectation	Actual Performance
Expenditure Control	Expenditure ≤ Budgeted Expenditure	**Achieved**
Capital Expenditure Control	Capital Expenditure ≤ Plan	**Achieved**

[1] *Calculated as forced outages of 21.25 hours over 3650 total time (365 days * 10 hours per day). The 10 hours is the 7am - 5pm market window.*

[2] *One timeline in the 2007/08 capacity cycle was breached. The capacity cycle has over 40 separate timelines each year.*

[3] *11.3% of deadlines extended (24 extensions in 212 deadlines).*

[4] *4 of the 5 reviews for 2008/09 commenced within the timelines published in the Market Evolution Plan.*

4. Corporate Governance

4.1 Legislative Framework

The IMO was established in December 2004 under the *Electricity Industry (Independent Market Operator) Regulations 2004*.

The IMO is a body corporate and its functions are conferred by the above Regulations, the *Electricity Industry (Wholesale Electricity Market) Regulations 2004* and the Wholesale Electricity Market Rules.

The IMO is required under its Regulations to submit an operational plan for the following financial year to the Minister for Energy for approval by 30 April each year.

The Regulations exempt the IMO from the *Public Sector Management Act 1994*, but require it to put in place minimum standards that reflect the principles of the Act and to report annually to the Commissioner for Public Sector Standards.

The IMO adopts financial reporting provisions equivalent to those of the Corporations Law and is exempt from the *Financial Management Act 2006*, but annual audits are conducted by the Auditor General in accordance with the *Auditor General Act 2006*.

4.2 Board of Directors

The IMO's governing body is a Board of three Directors appointed by the Minister for Energy.

4.3 Code of Conduct and Minimum Standards

The Regulations require the Board to develop and establish minimum human resource standards (HR Standards) to apply to staff, and a Code of Conduct, in consultation with the Commissioner for Public Sector Standards. During the year, the Board endorsed an employee handbook which contained both revised HR Standards and a Code of Conduct, supported by training sessions for all staff.

The Regulations require a report to be submitted to the Minister for Energy and Commissioner for Public Sector Standards annually regarding the observance by members of staff of the Code of Conduct and the Standards.

There were no breaches of either the HR Standards or the Code of Conduct during the year.

4.4 Occupational Safety and Health

The IMO is committed to providing a safe and healthy working environment.

During the year, an Occupational Safety and Health Committee was established, and the Board approved policies designed to satisfy obligations under both the *Occupational Safety and Health Act 1984*, and the *Workers Compensation and Injury Management Act 1981*.

There were no fatalities or workers compensation claims lodged during the reporting period.

4.5 Internal Audit

The IMO adopted its inaugural Strategic Audit Plan covering the period 2008/09 – 2010/11. During the year internal audit reports were produced in the areas of prudentials, fraud risk, and accounts payable with no major audit findings identified.

4.6 Other

- The IMO is a "notifying authority" for the purposes of the *Corruption and Crime Commission Act* and the *Public Interest Disclosure Act*. There were no incidents requiring disclosure reports under this legislation during the year.
- The provisions of the *Freedom of Information Act 1992* apply to the IMO. During the year, no applications were received. A statement in accordance with the *Freedom of Information Act 1992*, giving information about the IMO and making an FOI request is available on the IMO website.
- The State Records Commission approved the IMO's Recordkeeping Plan on 25 June 2008 satisfying the IMO's obligations under the *State Records Act 2000*. Employee responsibilities in respect of record keeping are outlined in the employee handbook, form part of formal induction processes for new starters, and are periodically presented to staff in support of the recordkeeping training program.
- Under the *Electoral Act 1907* the IMO is required to report on expenditure on advertising, market research, polling, direct mail and media advertising. Expenditure of $12,856 was incurred on staff recruitment advertising and $4,356 on tender advertising.
- The *Equal Opportunity Act 1994* requires the IMO to prepare and implement an equal opportunity management plan and report annually on progress with the plan. An EEO Management Plan was submitted in January 2008 and annual reporting obligations for 2008/09 were satisfied in July 2009.

5. Directors' Report

The Directors of the Independent Market Operator present their report for the twelve months to 30 June 2009.

Directors

The following were Directors of the IMO during the financial year to 30 June 2009:

John Kelly

- Appointed Director — December 2004
- Appointed Chair — April 2006
- Current term ends — May 2012

Mr John Kelly has spent his working career in the power industry retiring from Western Power, as General Manager Distribution, in 2000. Mr Kelly was a member of the Electricity Reform Taskforce that provided a blueprint for a competitive electricity industry to Government in 2002. He became the independent member of the Electricity Reform Implementation Steering Committee.

Mr Kelly has a Bachelor of Engineering (Mechanical), a Diploma in Business Management, is a Fellow of the Institute of Engineers Australia and a Graduate Member of the Institute of Company Directors.

Shaun Dennison

- Appointed Director — March 2006
- Appointed Deputy Chair — June 2006
- Current term ends — June 2010

Mr Shaun Dennison has had 18 years experience in corporate advisory and project management roles with a focus on energy and water sector reform. He is one of two independent members of the Information Exchange Committee, established under the National Electricity Rules, appointed by the electricity industry.

Mr Dennison has a Bachelor of Commerce and is a Graduate Member of the Institute of Company Directors.

David Huggins

- Appointed Director — November 2006
- Current term ends — July 2011

Mr David Huggins is a lawyer specialising in stockbroking industry related matters and compliance. He currently has his own legal practice and has previously held positions with the Australian Stock Exchange, Australian Securities Commission and a major law firm.

Mr Huggins has a Bachelor of Laws, Bachelor of Arts, is a Barrister and Solicitor of the Supreme Court of Western Australia and is a Director of the Australasian Compliance Institute.

Directors' Meetings

Attendances by Directors at meetings held during the financial year ending 30 June 2009 were:

	Meetings Attended	Meetings Eligible
John Kelly	10	10
Shaun Dennison	9	10
David Huggins	10	10

Principal Activities

The principal activity of the IMO during the year was the operation of the Wholesale Electricity Market.

Review of Operations

The IMO has operated during 2008/09 in accordance with its obligations under the *Electricity Industry (Independent Market Operator) Regulations 2004* and the Wholesale Electricity Market Rules.

The Minister of Energy issued no Ministerial Directions to the IMO in 2008/09.

Results of Operations

The Operating Result for the IMO for the year ending 30 June 2009 was a loss of $1.805 million, which compares to a budgeted loss of $2.493 million approved in the Operational Plan. This outcome was better than expected largely due to higher than budgeted interest revenue and lower than budgeted expenditure.

5. Directors' Report

Dividends

There were no dividends paid or declared by the IMO.

Significant Changes in the IMO's State of Affairs

There were no significant changes to the state of affairs in IMO's operating environment during the financial year under review.

Matters or Circumstances that Arose which May Affect Future Financial Years

The IMO's Directors are of the opinion that no matters or circumstances have arisen since the end of the financial year or are likely to arise that will significantly affect (or have the potential to significantly affect) the IMO's operations, the results of those operations, or the state of affairs of the IMO in the financial year subsequent to 30 June 2009.

Environmental Regulations

Environmental regulations do not impact directly on the IMO's operations.

Indemnification and Insurance of Officers

During or since the end of the financial year, the IMO has not indemnified or, apart from under the terms of the *Electricity Industry (Independent Market Operator) Regulations 2004*, made a relevant agreement with any present or former IMO officer or auditor for indemnifying them against a liability.

During the reporting period the IMO paid a Directors and Officers Liability Insurance policy, which seeks to cover the Directors, the CEO, and any employee of the IMO for costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as an officer for the IMO. In accordance with Section 15 of the *Statutory Corporations (Liability of Directors) Act 1996*, the IMO obtained the Minister for Energy's approval to pay the premium.

There were no claims made against Directors during the reporting period.

Emoluments

In accordance with Section 13 (c) of Schedule 3 of the *Electricity Industry (Independent Market Operator) Regulations 2004*, included below is the nature and amount of each element of the emolument of each Director and each of the five named officers receiving the highest emolument.

Directors' Emoluments

The Minister for Energy determines the emolument of the Board of Directors. Details of emoluments provided to Directors during 2008/09 are:

	Primary Fees	Post-employment Superannuation	Total
John Kelly	$64,792	$5,831	$70,623
Shaun Dennison	$35,885	$3,230	$39,115
David Huggins	$35,885	$3,230	$39,115

Director Benefits

During the financial year, no Director has received or became entitled to receive a benefit other than benefits disclosed in the financial statements as emoluments or the fixed salary of a full time employee of the IMO, by reason of a contract made by the IMO with the Director or with a firm of which he/she is a member, or with an entity in which he/she has a substantial financial interest.

5. Directors' Report

Executives' Emoluments

The Board, with the approval of the Minister for Energy, determines the emolument package of the Chief Executive Officer. The Board determined the terms and conditions of the other senior executives in 2008/09 based on benchmarking with other organisations and competitive requirements.

Details of emoluments provided to the named officers receiving the highest emolument during 2008/09 are:

	Salary	Post-employment Superannuation	Total
Allan Dawson	$313,994	$37,679	$351,673
Dora Guzeleva*	$169,782	$10,064	$179,846
Neil Hay	$150,379	$23,077	$173,456
Troy Forward	$153,887	$13,850	$167,737
Murray Cribb	$146,035	$16,241	$162,276

* Ms Guzeleva resigned in October 2008. Reported salary figure includes $105,246 accumulated leave paid out.

Resolution

This report is made in accordance with a resolution of the Board on 20 August 2009.

John Kelly
CHAIR
17 September 2009

Shaun Dennison
DEPUTY CHAIR
17 September 2009

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Independent Market Operator

Financial Statements

Year ended 30 June 2009

Independent Market Operator
Directors' Declaration for the year ended 30 June 2009

The Directors declare that the financial statements and notes are in accordance with Electricity Industry (Independent Market Operator) Regulations 2004 and:

(a) comply with Accounting Standards and the Corporations Regulations 2001; and

(b) give a true and fair view of the financial position of the Independent Market Operator as at 30 June 2009 and of its performance for the period 1 July 2008 and 30 June 2009.

In the Directors' opinion there are reasonable grounds to believe that the Independent Market Operator will be able to pay its debts as and when they become due and payable.

This declaration has been made in accordance with a resolution of the Board of Directors.

John Kelly
DIRECTOR

17 September 2009

Shaun Dennison
DIRECTOR

17 September 2009

Independent Market Operator
Directors' Declaration for the year ended 30 June 2009

	Note	2009 $000	2008 $000
INCOME			
Revenue			
User charges and fees	3	9,193	10,657
Interest revenue	4	331	295
Other revenue	5	127	6
Total income		**9,651**	**10,958**
EXPENSES			
Expenses			
Loss on disposal of non-current assets	6	2	36
Employee benefits expense	7	3,516	2,772
Supplies and services	8	3,798	2,190
Depreciation and amortisation expense	9	3,305	2,960
Finance cost	10	331	388
Accommodation expenses	11	290	268
Other expenses	12	214	113
Total expenses		**11,456**	**8,727**
Profit for the year	32	**(1,805)**	**2,231**

The Income Statement should be read in conjunction with the accompanying notes.

Independent Market Operator
Balance Sheet as at 30 June 2009

	Note	2009 $000	2008 $000
ASSETS			
Current Assets			
Cash and cash equivalents	13	5,204	6,117
Receivables	14	1,538	1,729
Other assets	15	-	178
Total Current Assets		**6,742**	**8,024**
Non-Current Assets			
Plant and equipment	16	624	605
Intangible assets	17	2,621	4,866
Total Non-Current Assets		**3,245**	**5,471**
TOTAL ASSETS		**9,987**	**13,495**
LIABILITIES			
Current Liabilities			
Payables	18	710	348
Provisions	19	233	314
Borrowings	21	3,718	2,473
Other liabilities	20	-	206
Total Current Liabilities		**4,661**	**3,341**
Non-Current Liabilities			
Provisions	19	128	93
Borrowings	21	566	3,624
Total Non-Current Liabilities		**694**	**3,717**
Total LIABILITIES		**5,355**	**7,058**
NET ASSETS		**4,632**	**6,437**
EQUITY			
Retained earnings	22	4,632	6,437
Total EQUITY		**4,632**	**6,437**

The Balance Sheet should be read in conjunction with the accompanying notes.

Independent Market Operator
Statement of Changes in Equity for the year ended 30 June 2009

	Note	2009 $000	2008 $000
Balance of Equity at start of year	22	**6,437**	**4,206**
RETAINED EARNINGS			
Balance at start of year	34	6,437	4,206
Profit/(loss) for the year	32	(1,805)	2,231
Balance at end of year		4,632	6,437
Balance of Equity at end of year	22	**4,632**	**6,437**
Total income and expense for the year		**(1,805)**	**2,231**

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Independent Market Operator
Cashflow Statement for the year ended 30 June 2009

	Note	2009 $000	2008 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Rendering of services		9,402	10,587
Other interest revenue		331	295
Goods and Services Tax receipts		(18)	84
Other receipts		127	6
Payments			
Employee benefits expense		(3,559)	(2,681)
Supplies and services		(3,503)	(2,296)
Finance cost		(331)	(388)
Accommodation expenses		(290)	(268)
Goods and Services Tax payments		36	(183)
Other expenses		(214)	(113)
Net cash provided by/(used in) Operating Activities	23 (b)	**1,981**	**5,043**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of non-current physical assets		(205)	(604)
Purchase of intangible assets		(876)	(823)
Net cash provided by/(used in) Investing Activities		**(1,081)**	**(1,427)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from / Repayments to Borrowings		(1,813)	(347)
Net cash provided by/(used in) Financing Activities		**(1,813)**	**(347)**
Net increase/(decrease) in cash and cash equivalents		**(913)**	**3,269**
Cash and cash equivalents at the beginning of period		6,117	2,848
CASH AND CASH EQUIVALENT ASSETS AT THE END OF OF PERIOD	23 (a)	**5,204**	**6,117**

The Cash Flow Statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements
for the year ended 30 June 2009

The Independent Market Operator (IMO) was established on 1 December 2004. The IMO is a statutory corporation that was established by the Electricity Industry (Independent Market Operator) Regulations 2004 to administer and operate the Western Australian Wholesale Electricity Market.

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented unless otherwise stated.

(a) General Statement

The financial statements constitute a general purpose financial report which has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS), Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group (UIG) Interpretations and the Electricity Industry (Independent Market Operator) Regulations 2004.

In preparing these financial statements the IMO has adopted, where relevant to its operations, new and revised Standards and Interpretations from their operative dates as issued by the AASB and formerly the Urgent Issues Group (UIG).

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS).

The Australian Accounting Interpretations are adopted through AASB 1048 'Interpretation and application of Standards' and are classified into those corresponding to IASB Interpretations and those only applicable in Australia.

The AASB has decided to maintain statements of accounting concepts (SAC 1 and SAC 2) and has continued to revise and maintain accounting standards and the interpretations that are of particular relevance to the Australian environment, especially those that deal more specifically with not-for-profit entity issues and/or do not have an equivalent IASB Standard or Interpretation.

(b) Basis of Preparation

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention.

The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods unless otherwise stated.

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000).

(c) Reporting Entity

The reporting entity is the Independent Market Operator.

(d) Income

Revenue recognition
Revenue is measured at the fair value of consideration received or receivable. Revenue is recognised for the major business activities as follows:

User charges and fees
Revenue from rendering services and licenses is recognised when the IMO has delivered the service or issued the licence.

Interest
Interest revenue includes interest on moneys held on deposit with financial institutions and is recognised as it accrues.

Gains
Gains may be realised or unrealised and are usually recognised on a net basis. These include gains arising on the disposal of non-current assets.

Notes to the Financial Statements
for the year ended 30 June 2009

(e) Income Tax

The IMO is established under the Electricity Industry (Independent Market Operator) Regulations 2004 and is provided sole provider status under Clause 19 of the Electricity Industry (Wholesale Electricity Market) Regulations 2004. Furthermore, the IMO is a not for profit organization and operates on a cost recovery basis. As a result, the IMO is not listed as a national tax equivalent regime ("NTER") and is not required to pay PAYG tax equivalents to the Treasurer.

(f) Borrowing Costs

Borrowing costs for qualifying assets are capitalised net of any investment income earned on the unexpected portion of the borrowings. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

(g) Property, Plant and Equipment

Capitalisation/Expensing of assets

Items of property, plant and equipment costing $5,000 or more are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of property, plant and equipment costing less than $5,000 are expensed direct to the Income Statement (other than where they form part of a group of similar items which are significant in total).

Initial recognition and measurement

All items of property, plant and equipment are initially recognised at cost.

For items of property, plant and equipment acquired at no cost or for nominal cost, cost is their fair value at the date of acquisition.

Subsequent measurement

After recognition as an asset, the IMO uses the cost model for the measurement of property, plant and equipment. Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

Depreciation

All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits.

Depreciation on other assets is calculated using the straight-line method, using rates which are reviewed annually. Estimated useful lives for each class of depreciable asset are:

Furniture and equipment	5 years
Computer equipment	3 years
Leasehold improvements	10 years (or remaining term of lease, if less)

(h) Intangible Assets

Capitalisation/Expensing of assets

Acquisitions of intangible assets costing $5,000 or more and internally generated intangible assets costing $5,000 or more are capitalised. The cost of utilising the assets is expensed (amortised) over their useful life. Costs incurred of less than $5,000 are immediately expensed directly to the Income Statement.

All acquired and internally developed intangible assets are initially measured at cost. For assets acquired at no cost or for nominal cost, cost is their fair value at the date of acquisition.

The cost model is applied for subsequent measurement requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Notes to the Financial Statements
for the year ended 30 June 2009

(h) Intangible Assets (cont)

Amortisation for intangible assets with finite useful lives is calculated for the period of the expected benefit (estimated useful life) on the straight-line basis using rates which are reviewed annually. All intangible assets controlled by the IMO have a finite useful life and zero residual value. The expected useful lives for each class of intangible asset are:

- Software - 3 years

Software that is an integral part of the related hardware is treated as property, plant and equipment. Software that is not an integral part of the related hardware is treated as an intangible asset. Software costing less than $5,000 is expensed in the year of acquisition.

(i) Impairment of Assets

Property, plant and equipment and intangible assets are tested for any indication of impairment at each balance sheet date. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised. As the IMO is a not-for profit entity, unless an asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and depreciated replacement cost.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated, where the replacement cost is falling or where there is a significant change in useful life. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

Intangible assets with an indefinite useful life and intangible assets not yet available for use are tested for impairment at each balance sheet date irrespective of whether there is any indication of impairment.

The recoverable amount of assets identified as surplus assets is the higher of fair value less costs to sell and the present value of future cash flows expected to be derived from the asset. Surplus assets carried at fair value have no risk of material impairment where fair value is determined by reference to market-based evidence. Where fair value is determined by reference to depreciated replacement cost, surplus assets are at risk of impairment and the recoverable amount is measured. Surplus assets at cost are tested for indications of impairment at each balance sheet date.

(j) Leases

The IMO has entered into operating lease arrangement for office accommodation where the lessors effectively retain all the risks and benefits incidental to ownership of the items held under the operating leases. Equal instalments of the lease payments are charged to the Income Statement over the lease term as this is representative of the pattern of benefits to be derived from the leased property.

(k) Financial Instruments

The IMO has two categories of financial instrument:

- Financial assets (includes cash and cash equivalents, term deposits, receivables); and
- Non-trading financial liabilities (payables, WATC borrowings).

Initial recognition and measurement is at fair value. The transaction cost or face value is equivalent to the fair value. Subsequent measurement is at amortised cost using the effective interest method.

The fair value of short-term receivables and payables is the transaction cost or the face value because there is no interest rate applicable and subsequent measurement is not required as the effect of discounting is not material.

Notes to the Financial Statements
for the year ended 30 June 2009

(l) Cash and Cash Equivalents

For the purpose of the Cash Flow Statement, cash and cash equivalents comprise of cash on hand and short-term deposits with term of one month that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

(m) Receivables

Receivable are recognised at the amounts receivable, as they are due for settlement no more than 30 days from the date of recognition.

The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written off. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the IMO will not be able to collect the debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days.

(n) Payables

Payables are recognised when the IMO becomes obliged to make future payments as a result of a purchase of assets or services at the amounts payable. The carrying amount is equivalent to fair value, as they are generally settled within 30 days.

(o) Borrowings

All loans are initially recognised at cost, being the fair value of the net proceeds received. Subsequent measurement is at amortised cost using the effective interest rate method.

(p) Provisions

Provisions are liabilities of uncertain timing and amount and are recognised where there is a present legal or constructive obligation as a result of a past event and when the outflow of resources embodying economic benefits is probable and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date.

(i) Provisions – Employee Benefits

Annual Leave and Long Service Leave

The liability for annual and long service leave expected to be settled within 12 months after the end of the balance sheet date is recognised and measured at the undiscounted amounts expected to be paid when the liabilities are settled. Annual and long service leave expected to be settled more than 12 months after the end of the balance sheet date is measured at the present value of amounts expected to be paid when the liabilities are settled. Leave liabilities are in respect of services provided by employees up to the balance sheet date.

When assessing expected future payments consideration is given to expected future wage and salary levels including non salary components such as employer superannuation contributions. In addition, the long service leave liability also considers the experience of employee departures and periods of service.

The expected future payments are discounted to present value using market yields at the balance sheet date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

All annual leave and unconditional long service leave provisions are classified as current liabilities as the IMO does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Superannuation

The Government Employees Superannuation Board (GESB) administers the following superannuation schemes.

(i) Provisions – Employee Benefits (cont)

Superannuation (cont)

Employees may contribute to the Pension Scheme, a defined benefit pension scheme now closed to new members, or to the Gold State Superannuation Scheme (GSS), a defined benefit lump sum scheme also closed to new members. Employees commencing employment prior to 16 April 2007 who were not members of either the Pension or the GSS Schemes became non contributory members of the West State Superannuation Scheme (WSS). Employees commencing employment on or after 16 April 2007 became members of the GESB Super Scheme (GESBS). Both of these schemes are accumulation schemes. The Authority makes concurrent contributions to GESB on behalf of employees in compliance with the Commonwealth Government's Superannuation Guarantee (Administration) Act 1992. These contributions extinguish the liability for superannuation charges in respect of the WSS and GESBS Schemes.

The Pension Scheme and the pre-transfer benefit for employees who transferred to the GSS Scheme are defined benefit schemes. These benefits are wholly unfunded and the liabilities for future payments are provided for at balance sheet date. The liabilities under these schemes have been calculated separately for each scheme annually by Actuaries Mercer Human Resources Consulting using the projected unit credit method.

The expected future payments are discounted to present value using market yields at the balance sheet date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The GSS Scheme, the WSS Scheme, and the GESBS Scheme, where the current service superannuation charge is paid by the Authority to the GESB, are defined contribution schemes. The liabilities for current service superannuation charges under the GSS Scheme, the WSS Scheme, and the GESBS Scheme are extinguished by the concurrent payment of employer contributions to the GESB.

The Gold State Superannuation Scheme is a defined benefit scheme for the purposes of employees and whole of government reporting. However, from an agency perspective, apart from the transfer benefits, it is a defined contribution plan under AASB 119.

(ii) Provisions – Other

Employment On-Costs

Employment on-costs, including workers' compensation insurance and payroll tax, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of the IMO's 'Other expenses – employment on costs' and are not included as part of the IMO's 'Employee benefits expense' and the related liability is included in Employment on-costs provision.

(q) Accrued Salaries

Accrued salaries (refer note 18 'Other current liabilities') represent the amount due to staff but unpaid at the end of the financial year, as the pay date for the last pay period for that financial year does not coincide with the end of the financial year. Accrued salaries are settled within a few days of the financial year-end. The IMO considers the carrying amount of accrued salaries to be equivalent to the net fair value.

(r) Comparative Figures

Comparative figures are, where appropriate, reclassified to be comparable with the figures presented in the current financial year.

Notes to the Financial Statements
for the year ended 30 June 2009

2. Disclosure of changes in accounting policy and estimates

(a) Initial application of an Australian Accounting Standard

The IMO has applied the following Australian Accounting Standards and Australian Accounting Interpretations effective for annual reporting periods beginning on or after 1 July 2008:

Review of AAS 27 'Financial Reporting by Local Governments', 29 'Financial Reporting by Government Departments' and 31 'Financial Reporting by Governments'. The AASB has made the following pronouncements from its short term review of AAS 27, AAS 29 and AAS 31:

AASB 1004 'Contributions'; AASB 1050 'Administered Items'; AASB 1051 'Land Under Roads'; AASB 1052 'Disaggregated Disclosures'; AASB 2007-9 'Amendments to Australian Accounting Standards arising from the review of AASs 27, 29 and 31 [AASB 3, AASB 5, AASB 8, AASB 101, AASB 114, AASB 116, AASB 127 & AASB 137];

Interpretation 1038 'Contributions by Owners Made to Wholly-Owned Public Sector Entities. The existing requirements in AAS 27, AAS 29 and AAS 31 have been transferred to the above new and existing topic-based Standards and Interpretation. These requirements remain substantively unchanged. AASB 1050, AASB 1051 and AASB 1052 only apply to government departments. The other Standards and Interpretation make some modifications to disclosures and provide additional guidance (*for example, Australian Guidance to AASB 116 'Property, Plant and Equipment' in relation to heritage and cultural assets has been introduced*), otherwise, there is no financial impact.

(b) Voluntary change in Accounting Policy

During the reporting period the IMO revised the asset capitalisation policy such that the threshold for recognition of assets has been increased from $1,00 to $5,00. The effect of the change in accounting policy is disclosed in Note 34 to the financial statements.

Future impact of Australian Accounting Standards not yet operative

The IMO cannot early adopt an Australian Accounting Standard or Australian Accounting Interpretation. Consequently, the IMO has not applied the following Australian Accounting Standards and Australian Accounting Interpretations that have been issued but are not yet effective. These will be applied from their application date:

New or revised requirement	Effective for annual reporting periods beginning/ending on or after
AASB 101 'Presentation of Financial Statements' (September 2007). This Standard has been revised and will change the structure of the financial statements. These changes will require that owner changes in equity are presented separately from nonowner changes in equity. The IMO does not expect any financial impact when the Standard is first applied.	Beginning 1 January 2009. It is not expected the adoption of this standard will have a material effect to the IMO.
AASB 2008-13 "Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distribution of Non-cash Assets to Owners [AASB 5 & AASB 110]. This standard amends AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' in respect of the classification, presentation and measurement of non-current assets held for distribution to owners in their capacity as owners. The IMO does not expect any financial impact when the Standard is first applied. AASB 2009-2 'Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038]'. This Standard amends AASB 7 and will require enhanced disclosures about fair value measurements and liquidity risk with respect to financial instruments. The IMO does not expect any financial impact when the Standard is first applied.	Beginning 1 July 2009. It is not expected the adoption of this standard will have a material effect to the IMO. Beginning 1 July 2009. It is not expected the adoption of this standard will have a material effect to the IMO.

Accounting standards and interpretations which clearly will not have an impact on the IMO have not been included in the above analysis.

Notes to the Financial Statements
for the year ended 30 June 2009

	2009 $000	2008 $000

3. User charges and fees

	2009 $000	2008 $000
Regulatory charge – registration fees	21	10
Regulatory charge – market fees	9,172	10,647
	9,193	**10,657**

4. Interest revenue

	2009 $000	2008 $000
Interest on operating bank account	331	295
	331	**295**

5. Other revenue

	2009 $000	2008 $000
Other revenue	127	6
	127	**6**

6. Net gain/(loss) on disposal of non-current assets

	2009 $000	2008 $000
Cost of Disposal of Non-Current Assets		
Property, plant & equipment	(2)	-
Office fitout	-	(36)
Proceeds from Disposal of Non-Current Assets		
Property, plant & equipment	-	-
Net Gain/(Loss)	**(2)**	**(36)**

Notes to the Financial Statements
for the year ended 30 June 2009

	2009 $000	2008 $000

7. Employee benefits expense

	2009 $000	2008 $000
Wages and salaries (a) (b)	3,123	2,412
Superannuation – defined contribution plans	297	187
Superannuation – defined benefit plans	141	154
Annual Leave (c)	(28)	(10)
Long Service Leave (c)	(17)	29
	3,516	**2,772**

a) Includes value of the fringe benefit to the employee plus the fringe benefits tax component.

b) Increase from 2007/08 influenced by staffing vacancies in 2007/08 and an increase of five positions approved in 2008/09 Operational Plan.

c) Includes a superannuations contribution component.

Employment on-costs such as workers' compensation insurance are included at note 12 'Other Expenses'. The employment on-costs liability is included at note 19 'Provisions'.

8. Supplies and services

	2009 $000	2008 $000
Communications and data processing costs	33	46
Consultant and contractors:		
- market system maintenance and support (a)	1,190	-
- other	1,798	1,615
Recruitment costs	132	130
Consumables	28	35
Insurance	28	47
Legal fees (b)	205	93
Travel	80	52
Other (c)	304	172
Total	**3,798**	**2,190**

a) After the Wholesale Electricity Market System (the system) became operational in October 2006, these maintenance and support costs were the responsibility of a third party that established the system, under a systems development contract that expired in June 2008. Accordingly such costs were incurred by IMO in the current year.

b) Increase influenced by $63,000 expenditure in 2008/09 on legal advice in support of Energy Review Board actions.

c) Increase largely due to additional minor equipment purchases of $55,000 primarily due to increase in asset capitalisation threshold from $1,000 to $5,000 during 2008/09.

Notes to the Financial Statements
for the year ended 30 June 2009

	2009	2008
	$000	$000

9. Depreciation and amortisation expense

	2009 $000	2008 $000
Depreciation		
Computer equipment	36	26
Office equipment	15	9
Office fitout	133	14
Total depreciation	**184**	**49**
Amortisation		
Computer software	3,121	2,911
Total amortisation	3,121	2,911
Total depreciation and amortisation	**3,305**	**2,960**

10. Finance costs

	2009 $000	2008 $000
Interest on borrowings	331	388
	331	**388**

11. Accommodation expenses

	2009 $000	2008 $000
Lease rental and other accommodation expenses	279	263
Repairs and maintenance	5	2
Cleaning and security	6	3
	290	**268**

12. Other expenses

	2009 $000	2008 $000
Software maintenance	3	12
Repairs and maintenance	39	2
Other expenses	172	99
	214	**113**

Notes to the Financial Statements
for the year ended 30 June 2009

	2009 $000	2008 $000

13. Cash and Cash Equivalents

	2009 $000	2008 $000
Cash at bank	3,859	1,487
Operating term deposit	1,345	4,630
	5,204	**6,117**

14. Receivables

	2009 $000	2008 $000
Current		
Accrued revenue	1,488	1,706
GST receivable - ATO	18	-
Trade debtors	32	23
	1,538	**1,729**

Credit risk

	2009 $000	2008 $000
Ageing of trade debtors past due but not impaired based on the information provided, at the balance sheet date:		
No more than 3 months	32	18
More than 3 months but less than 6 months	-	5
More than 6 months but less than 1 year	-	-
More than 1 year	-	-
	32	**23**

15. Other assets

	2009 $000	2008 $000
Current		
Prepayments	-	178
	-	**178**

2007/08 includes $142,000 prepayment in respect of Western Australian Treasury Corporation loan.

Notes to the Financial Statements
for the year ended 30 June 2009

16. Property, plant and equipment

	2009 $000	2008 $000
Plant & equipment		
At cost	66	77
Accumulated depreciation	(24)	(18)
	42	59
Furniture & fittings		
At cost	-	-
Accumulated depreciation	-	-
	-	-
Computer equipment		
At cost	181	108
Accumulated depreciation	(63)	(27)
	118	81
Office fit-out		
At cost	607	475
Accumulated depreciation	(143)	(10)
	464	465
Total		
At cost	854	660
Accumulated depreciation	(230)	(55)
	624	**605**

Notes to the Financial Statements
for the year ended 30 June 2009

Reconciliation of the carrying amount of property, plant and equipment at the beginning and end of the reporting period are set out below:

	Plant & equipment	Computer equipment	Office Fitout	Total
	$000	$000	$000	$000
2009				
Carrying amount at start of year	59	80	466	605
Additions	-	74	131	205
Disposal	(2)	-	-	(2)
Depreciation	(15)	(36)	(133)	(184)
Carrying amount at end of year	**42**	**118**	**464**	**624**
2008				
Carrying amount at start of year	26	19	40	85
Additions	42	87	476	605
Disposal	-	-	(36)	(36)
Depreciation	(9)	(26)	(14)	(49)
Carrying amount at end of year	**59**	**80**	**466**	**605**

There were no indications of impairment of plant and equipment at 30 June 2009.

	2009	2008
	$000	$000

17. Intangible assets

Computer software		
At cost	10,061	9,185
Accumulated amortisation	(7,440)	(4,319)
	2,621	4,866

Notes to the Financial Statements
for the year ended 30 June 2009

	2009 $000	2008 $000
Reconciliation		
Computer Software		
Carrying amount at start of year	4,866	6,954
Additions	876	823
Disposal	-	-
Amortisation	(3,121)	(2,911)
Carrying amount at end of year	**2,621**	**4,866**

There were no indications of impairment to intangible assets at 30 June 2009.

18. Payables

	2009 $000	2008 $000
Current		
Trade payable	563	305
Salaries and Other expenses	147	77
Sundry creditors	-	2
GST payable	-	(36)
	710	**348**

19. Provisions

	2009 $000	2008 $000
Current		
Employee benefits provision		
Annual leave (a)	220	246
Long service leave (b)	1	51
	221	297
Other provisions		
Employment on-cost	12	17
	12	17
	233	**314**
Non-Current		
Employee benefits provision		
Long service leave (b)	121	88
	121	88
Other provisions		
Employment on-cost	7	5
	7	5
	128	**93**

Notes to the Financial Statements
for the year ended 30 June 2009

	2009	2008
	$000	$000

(a) Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after balance sheet date. Assessments indicate that actual settlement of the liabilities will occur as follows:

	2009 $000	2008 $000
Within 12 months of balance sheet date	174	148
More than 12 months from the balance sheet date	46	98
	220	**246**

(b) Assessments indicate that actual settlement of the liabilities will occur as follows:

	2009 $000	2008 $000
Within 12 months of balance sheet date	1	51
More than 12 months from the balance sheet date	121	88
	122	**139**

20. Other Liabilities

	2009 $000	2008 $000
Current		
Other – Market Participants	-	206
	-	**206**

21. Borrowings

	2009 $000	2008 $000
WA Treasury Corporation Loan:		
Current	3,718	2,473
Non-current	566	3,624
Total	**4,284**	**6,097**

Borrowings are short term cash advances and fixed rate term Australian Dollar loans from Western Australian Treasury Corporation with the weighted average interest rate of 6.03%.

Notes to the Financial Statements
for the year ended 30 June 2009

22. Equity

Equity represents the residual interest in the net assets of the IMO. The Government holds the equity interest in the IMO on behalf of the community.

	2009 $000	2008 $000
Retained earnings		
Balance at start of year	6,437	4,206
Result for the period	(1,805)	2,231
Balance at end of year	**4,632**	**6,437**

23. Notes to the Cash Flow Statement

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

	2009 $000	2008 $000
Cash and cash equivalents	5,204	6,117
	5,204	**6,117**

(b) Reconciliation of profit to net cash flows provided by operating activities

	2009 $000	2008 $000
Profit for the period	(1,805)	2,231
Non-cash items		
Depreciation and amortisation expense	3,305	2,960
Loss on disposal of assets	2	36
(Increase)/decrease in assets:		
Receivable	209	(70)
Other current assets	178	34
Increase/(decrease) in liabilities:		
Payables	256	92
Provisions	(43)	91
Other liabilities	(139)	(232)
Change in GST receivable/(payable)	(18)	84
Net GST receipts/(payments)	36	(183)
Net cash provided by/(used in) operating activities	**1,981**	**5,043**

Notes to the Financial Statements
for the year ended 30 June 2009

	2009	2008
	$000	$000

24. Commitments

(a) Lease commitments

Commitments in relation to leases contracted for at the balance sheet date but not recognised in the financial statements as liabilities are payable as follows:

	2009 $000	2008 $000
- Within one year	152	140
- Later than one year and not later than five years	284	367
	436	**507**
Representing:		
- Non-cancellable operating leases	436	507
	436	**507**

25. Contingent liabilities and contingent assets

The IMO has no contingent liabilities and contingent assets as at balance sheet date.

26. Events occurring after the balance sheet date

The IMO is unaware of any event occurring after balance sheet date that would materially affect the financial statements.

27. Financial instruments

(a) Financial Risk Management Objective and Policies

Financial instruments held by the IMO are cash and cash equivalents, receivables, payables and borrowings. The IMO has limited exposure to financial risks. The IMO's overall risk management program focuses on managing the risks identified below.

Credit risk

The IMO trades only with recognised, creditworthy third parties. The IMO has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. In addition, receivable balances are monitored on an ongoing basis with the result that the IMO's exposure to bad debts is minimal. There are no significant concentrations of credit risk.

Liquidity risk

The IMO has appropriate procedures to manage cash flows by monitoring forecast to ensure that sufficient funds are available to meet its commitments.

Market risk

The IMO exposure to market risk for changes in interest rates relates primarily to the long- term debt obligations. The IMO's borrowings are all obtained through the Western Australian Treasury Corporation (WATC) and are at fixed rates with varying maturities. The risk is managed by WATC through portfolio diversification and variation in maturity dates. Otherwise, the IMO is not exposed to interest rate risks.

Notes to the Financial Statements
for the year ended 30 June 2009

27. Financial instruments (cont)

(b) Financial Instrument Disclosures

In addition to cash and WATC borrowings, the carrying amounts of each of the following categories of financial assets and financial liabilities at the balance sheet date are as follows

	2009	2008
	$000	$000
Financial Assets		
Cash and cash equivalents	5,204	6,117
Receivables	1,538	1,729
Financial Liabilities		
WATC Borrowings	4,284	6,097
Payables	710	59

Interest rate risk exposure

The following table details the IMO's exposure to interest rate risk as at the balance sheet date:

	Weighted Average Effective Interest Rate	Fixed Interest Bearing	Variable Interest Bearing	Non-Interest Bearing	Total	Up to 3 months	3-12 months	1-2 years	2-3 years	More than 3 years
2009	%	$000	$000	$000	$000	$000	$000	$000	$000	$000
Financial Assets										
Cash and equivalents	2.81	-	5,203	1	5,204	-	-	-	-	-
Receivables	N/a	-	-	1,538	1,538	1,538	-	-	-	-
		-	**5,203**	**1,539**	**6,742**	**1,538**	**-**	**-**	**-**	**-**
Financial Liabilities										
Payables	N/a	-	-	710	710	710	-	-	-	-
Borrowings	6.03	4,284	-	-	4,284	3,234	484	391	162	13
		4,284	**-**	**710**	**4,994**	**3,944**	**484**	**391**	**162**	**13**

Notes to the Financial Statements
for the year ended 30 June 2009

27. Financial instruments (cont)

2008	Weighted Average Effective Interest Rate %	Fixed Interest Bearing $000	Variable Interest Bearing $000	Non-Interest Bearing $000	Total $000	Up to 3 months $000	3-12 months $000	1-2 years $000	2-3 years $000	More than 3 years $000
Financial Assets										
Cash and equivalents	7.05	-	6,116	1	6,117	-	-	-	-	-
Receivables	N/a	-	-	1,729	1,729	1,729	-	-	-	-
		-	**6,116**	**1,730**	**7,846**	**1,729**	**-**	**-**	**-**	**-**
Financial Liabilities										
Payables	N/a	-	-	59	59	59	-	-	-	-
Borrowings	6.25	6,097	-	-	6,097	640	1,833	3,103	521	-
		6,097	**-**	**59**	**6,156**	**699**	**1,833**	**3,103**	**521**	**-**

Interest rate sensitivity analysis

The following table represents a summary of the interest rate sensitivity of the IMO's financial assets and liabilities at the balance sheet date on the surplus for the period and equity for a 1% change in interest rates. It is assumed that the change in interest rates is held constant throughout the reporting period.

	Carrying amount	-1% change		+1% change	
		Profit	Equity	Profit	Equity
2009	$000	$000	$000	$000	$000
Financial Assets					
Cash and cash equivalents	5,203	(52)	(52)	52	52
Total increase/(decrease)		**(52)**	**(52)**	**52**	**52**

	Carrying amount	-1% change		+1% change	
		Profit	Equity	Profit	Equity
2008	$000	$000	$000	$000	$000
Financial Assets					
Cash and cash equivalents	6,116	(61)	(61)	61	61
Total increase/(decrease)		**(61)**	**(61)**	**61**	**61**

Notes to the Financial Statements
for the year ended 30 June 2009

27. Financial instruments (cont)

Borrowings are short term cash advances and fixed term loans and are excluded from the sensitivity analysis.

Fair Values

All financial assets and liabilities recognised in the balance sheet, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in Note 2 to the financial statements.

28. Key management personnel compensation

Information in respect of Directors' and Executives' remuneration has been previously disclosed in the Director's Report section of this Annual Report.

	2009	2008
	$000	**$000**

29. Remuneration of auditors

The IMO operates within one geographical sector (Western Australia) and in one business segment.

Remuneration payable to the Auditor General for the financial year is as follows:		
Auditing the accounts, financial statements and performance Indicators	25	25

30. Segment reporting

The IMO operates within one geographical sector (Western Australia) and in one business segment.

31. Supplementary financial information

Write-off

Property written-off by the IMO during the financial year	**2**	**36**

The IMO shifted to alternate accommodation during the previous reporting period. As a consequence leasehold improvements relating to the previous premises were required to be written off.

32. Explanatory note relating to financial performance

The Operating Result for the year was a loss of $1.805 million, which compares to a budgeted loss of $2.493 million approved in the Operational Plan. This outcome was better than expected largely due to higher than budgeted interest revenue, and lower than budgeted expenditure on contingency provision for legal disputes.

The IMO is required under the market rules to return operating surpluses to market participants via adjustments to subsequent year budgets. A surplus of $2.493 million was recorded for the period the market operated in 2006/07 (October 2006 – June 2007), which was offset against the 2008/09 operational loss of $1.805 million.

Notes to the Financial Statements
for the year ended 30 June 2009

33. Bank Security Deposits and Guarantees

In accordance with the Electricity Industry (Wholesale Electricity Market) Regulations 2004, the IMO requires market participants to deposit financial securities into a Trust Fund Bank Account maintained by the IMO, or provide the IMO, with Deed of Bank Undertaking that authorises the IMO to withdraw funds from the participants bank accounts directly. The purpose of the security deposit or the bank guarantee, is to provide a readily accessible fund that the IMO can draw on in the event that a participant fails to meet financial or performance targets.

(a) Bank Security Deposits

The security deposits are held on trust by the IMO and are not IMO monies, although the IMO has the right to draw on the funds. Accordingly, the value of the security deposits which as at 30 June 2009 amounted to $6,111,056 (2008: $21,615,785), is not included in the asset values reported in the balance sheet values in these financial statements.

(b) Bank Guarantees

Similarly, the value of Bank Undertakings which as at 30 June 2009 amounted to $100,676,505 (2008: $83,717,075), is also excluded from the balance sheet reported amounts.

34. Change in Accounting Policy

During the reporting period the IMO revised the asset capitalisation policy such that the threshold for recognition of assets has been increased from $1,000 to $5,000. In accordance with AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors' the change in accounting policy has been applied retrospectively by adjusting the opening balance of retained earnings for the earliest prior period presented in the financial statements and by adjusting the relevant comparative amounts for each prior period presented as if the new accounting policy had always been applied.

The net effect of the revised asset capitalisation policy is decrease in net value of assets and retained/current earnings by $62,000. $18,000 relates to the current financial year ended 30 June 2009 and $44,000 is an impact on prior periods.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2009 is as follows:

		2009	
	Previously stated	**Adjustment**	**Restated 2009**
	$000	**$000**	**$000**
Income Statement Extract			
Expenses			
Supplies and Services	3,473	55	3,798
Depreciation and Amortisation	3,342	(37)	3,305
Total expenses	11,438	18	11,456
Profit/(loss) for the year	**(1,787)**	**(18)**	**(1,805)**
Balance Sheet Extract			
Non-Current Assets			
Plant and equipment	642	(18)	624
Total Non-Current Assets	3,263	(18)	3,245
Total Assets	**10,005**	**(18)**	**9,987**
Net Assets	**4,650**	**(18)**	**4,632**
Equity			
Retained earnings	**4,650**	**(18)**	**4,632**

Notes to the Financial Statements
for the year ended 30 June 2009

Disclosed below is the impact on the comparative period reported:

	2008			
	Previously stated	Opening balance adjustment	Adjustment for 2008	Restated 2008
	$000	$000	$000	$000
Income Statement Extract				
Expenses				
Supplies and Services	2,163	-	27	2,190
Depreciation and Amortisation	2,986	-	(26)	2,960
Total expenses	8,726	-	1	8,727
Profit/(loss) for the year	**2,232**	**-**	**(1)**	**2,231**
Balance Sheet Extract				
Non-Current Assets				
Plant and equipment	649	(43)	(1)	605
Total Non-Current Assets	5,515	(43)	(1)	5,471
Total Assets	**13,539**	**(43)**	**(1)**	**13,495**
Net Assets	**6,481**	**(43)**	**(1)**	**6,437**
Equity				
Retained earnings	**6,481**	**(43)**	**(1)**	**6,437**

	2008		
	Previously stated	Adjustment	Restated 2009
	$000	$000	$000
Statement of Changes in Equity Extract			
Balance at the start of the year	4,248	(43)	4,206
Profit for the year	2,232	(1)	2,231
Balance at the end of the year	**6,481**	**(44)**	**6,437**
Cashflow Statement Extract			
Payments			
Supplies and Services	(2,269)	(27)	(2,296)
Net cash provided by Operating Activities	**5,070**	**(27)**	**5,043**
Cash Flows from financing activities			
Purchase on non-current physical assets	**(631)**	**27**	**(604)**
Net cash provided by Operating Activities	(1,454)	27	(1,427)

Notes to the Financial Statements
for the year ended 30 June 2009

Note 8. Supplies and Services - Extract

Other	145	27	172
Total	**2,163**	**27**	**2,190**

Note 9. Depreciation and amortisation expense - extract

Depreciation			
Computer equipment	50	(24)	26
Office equipment	10	(1)	9
Furniture & Fittings	1	(1)	0
Office fit out	14	-	14
Total depreciation	75	(26)	49
Total depreciation and amortisation	**2,986**	**(26)**	**2,960**

Note 23 Notes to the Cash Flow Statement - extract

		2008	
	Previously stated	**Adjustment**	**Restated 2009**
	$000	**$000**	**$000**
(b) reconciliation of profit to net cash flows provided by operating activities			
Profit for the period	2,232	(1)	2,231
Non-cash items			
Depreciation and amortisation expense	2,986	(26)	2,960
Net cash provided by operating activities	**5,070**	**(27)**	**5,043**

Auditor's Report
for the year ended 30 June 2009

Auditor General

INDEPENDENT AUDIT REPORT ON INDEPENDENT MARKET OPERATOR

To the Parliament of Western Australia

I have audited the financial report of the Independent Market Operator. The financial report comprises the Balance Sheet as at 30 June 2009, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year ended on that date, a summary of significant accounting policies, other explanatory Notes and the Directors' Declaration.

Directors' Responsibility for the Financial Report
The Directors of the Independent Market Operator are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Electricity Industry (Independent Market Operator) Regulations 2004. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Summary of my Role
As required by the Electricity Industry (Independent Market Operator) Regulations 2004, my responsibility is to express an opinion on the financial report based on my audit. This was done by testing selected samples of the audit evidence. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion. Further information on my audit approach is provided in my audit practice statement. Refer www.audit.wa.gov.au/pubs/AuditPracStatement_Feb09.pdf.

An audit does not guarantee that every amount and disclosure in the financial report is error free, nor does it examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the financial report.

Audit Opinion
In my opinion, the financial report of the Independent Market Operator is in accordance with Schedule 3 of the Electricity Industry (Independent Market Operator) Regulations 2004, including:

(a) giving a true and fair view of the Independent Market Operator's financial position as at 30 June 2009 and of its performance for the year ended on that date; and
(b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

GLEN CLARKE
ACTING AUDITOR GENERAL
22 September 2009

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