

Independent Market Operator

Compliance of the IMO's internal processes
and procedures with the Market Rules and the
IMO's compliance with the Market Rules and
Market Procedures

20 September 2011



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Executive summary

This report sets out the results of the market audit by PA Consulting Group in carrying out its assessment of the compliance of the IMO's internal procedures and business processes with the Market Rules, and the IMO's compliance with the Market Rules and Market Procedures.

This market audit has been carried out under Market Rule 2.14.3 which is set out below:

The IMO must ensure that the Market Auditor carries out the audits of such matters as the IMO considers appropriate, which must include:

- a. the compliance of the IMO's internal procedures and business processes with the Market Rules;*
- b. the IMO's compliance with the Market Rules and Market Procedures;*
- c. the IMO's market software systems and processes for software management.*

This year's market audit has taken the form of an "incremental" audit. We have examined those aspects of the Market Rules and Market Procedures and IMO's Internal Procedures where:

- The clauses in the Market Rules are new or amended since last year's annual audit;
- Market Procedures or Internal Procedures are new or updated since last year's annual audit; and
- Market or Internal Procedures relate to areas of recorded breaches of the Market Rules by the IMO since last year's annual audit.

In essence, we have looked at areas that have changed since last year's annual audit. In so doing, we have made use of the findings of an operational review conducted by the IMO during 2010/11 which examined the robustness of its business processes and procedures as they relate to the Market Rules.

As in previous years, PA has found that the IMO has generally complied with its obligations under the Market Rules.

Overall, there has been a marked reduction in the number of non-compliances compared to the previous year. Although, this year there have been three material breaches¹, all have been one-off events, and all have remedial actions associated with them designed to prevent their reoccurrence.

In a similar vein, we have observed that the IMO is currently putting in place enhanced internal monitoring and reporting systems designed to ensure that the on-going process of updating and improving its procedures in line with evolving Rule changes and operational practice is further enhanced. In the future, this should reduce delays between the time Rule Changes are promulgated and consequential updates to the IMO procedures are completed.

¹ The materiality of one further breach is currently being investigated

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1 Introduction

This document sets out the results of the market audit conducted by PA Consulting Group of the compliance of the IMO's internal procedures and business processes with the Market Rules, and the IMO's compliance with the Market Rules and Market Procedures.

1.1 Scope of the market audit

This market audit has been carried out under Market Rule 2.14.3 which states that:

The IMO must ensure that the Market Auditor carries out the audits of such matters as the IMO considers appropriate, which must include:

- a. the compliance of the IMO's internal procedures and business processes with the Market Rules;*
- b. the IMO's compliance with the Market Rules and Market Procedures;*
- c. the IMO's market software systems and processes for software management.*

This report addresses *a* and *b* above. The audit of the IMO's software systems and processes for software management is the subject of a separate accompanying report.

1.2 Market audit process

This year's market audit has taken the form of an "incremental" audit. We have examined those aspects of the Market Rules and Market Procedures and IMO's Internal Procedures where:

- The clauses in the Market Rules are new or amended since last year's annual audit;
- Market Procedures or Internal Procedures are new or updated since last year's annual audit; and
- Market Procedure or Internal Procedures relate to areas of recorded breaches of the Market Rules by the IMO since last year's annual audit.

In essence, we have looked primarily at areas that have changed since last year's annual audit. In so doing, we have made use of the findings of an operational review conducted by the IMO during 2010/11 which examined the robustness of its business processes and procedures as they relate to the Market Rules generally.

We have deemed it unnecessary to assess in detail or comment on areas where the Internal Procedures and Market Rules have not changed, and which previously have been found to comply with the Market Rules.

In conducting the market audit on the compliance of the IMO with the Market Rules, PA has:

1. Ensured that it is up to date with its understanding of the West Australia Electricity Market Rules;
2. Identified new or amended obligations placed on the IMO by amendments to the Market Rules that have come into force since the previous market audit dated 30 September 2010;
3. Mapped those obligations identified in step 2 to the applicable Internal Procedures;
4. Identified IMO Internal Procedures that are new or have been updated since the previous market audit dated 30 September 2010;
5. Identified IMO Internal Procedures that relate to areas of non-compliance identified in the previous market audit dated 30 September 2010;
6. Reviewed the IMO procedures identified in steps 3, 4 and 5 for compliance with the Market Rules;
7. Sought evidence that the IMO is following those procedures so as to comply with the Market Rules;
8. Had discussions with IMO managers and staff to clarify issues identified; and then
9. Prepared a draft report setting out our findings (to be followed by a final report).

As in previous years, we note that there are limitations to any external audit. Audits are not an absolute guarantee of the truth or reliability of agency information or the effectiveness of internal controls. They may not identify all matters of significance. This is because external audit techniques involve:

- Professional judgement as to “good industry and market operational practice”;
- The use of sample testing;
- An assessment of the effectiveness of internal control structures; and
- An assessment of risk.

A market audit does not guarantee every procedure and action carried out in the operation of the electricity market in the audit report, nor does it examine all evidence and every transaction. However, our audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the market audit report.

We also note that there is a high degree of compliance monitoring built into the market design. Should the IMO not carry out a requirement of the Market Rules, those cases that are material will have affected either System Management or market participants and are likely to have been raised.

Where non-compliant procedures or actions are identified, these are classified as being:

- Material, in that they may affect decisions made by market participants, affect the outcome of the market or otherwise affect the financial position of one or more rule participants; or
- Non-material, in that:

- They do not comply with the wording of the Market Rules but do comply with the intention of the Market Rules; or
- They do not comply with the Market Rules but they are not likely to affect decisions made by market participants or otherwise affect the outcome of the market.

1.3 Structure of this report

The report contains PA's analysis of the operation of the IMO on a Market Rules chapter- by- chapter basis. Rule changes that have occurred since the last audit are set out in the Appendix.

1.4 Acknowledgements

PA would like to thank the managers and staff of the IMO who willingly provided information and shared in discussions with us while we carried out this market audit.

2 Market Rule Chapter 1 – Introduction

Market Rule Chapter 1 sets out the Introduction to the Market Rules and covers areas such as the objectives of the market, conventions and transitional arrangements.

2.1 Compliance of the IMO's processes and procedures

2.1.1 Rule amendments

The following clauses which relate to the IMO's obligations have been amended since last year's annual audit:

- none

2.1.2 Procedures

The following Market Procedures relating to Chapter 1 of the Market Rules have been updated since last year's market audit:

- none

2.1.3 Compliance of the IMO's Procedures with Chapter 1 of the Market Rules

The procedures, if followed, should result in compliance with the Market Rules.

2.2 Compliance with Chapter 1 of the Market Rules

2.2.1 Incidents

There were no incidents associated with Chapter 1 of the Market Rules.

2.3 Opinion

As far as we have been able to determine, the IMO has complied with its obligations under Chapter 1 of the Market Rules.

3 Market Rule Chapter 2 – Administration

Market Rule Chapter 2 sets out the Functions and Governance Rules, most of which are the responsibility of the IMO in its Market Administration role.

3.1 Compliance of the IMO's processes and procedures

3.1.1 Rule amendments

Since the last audit, there have been a series of Rule Changes affecting Chapter 2. The amended clauses are as follows:

- 2.8.1, 2.8.2, 2.11.1, 2.11.2, 2.13.17, 2.13.18, 2.13.22, 2.13.23, 2.13.24, 2.13.26, 2.13.28, 2.15.3(f), 2.16.9G, 2.16.9H, 2.17.3, 2.31.13(e), 2.32.1, 2.32.5, 2.32.6, 2.32.7;
- 2.3.5, 2.3.5A (new), 2.3.13;
- 2.10.7, 2.13.6, 2.13.6A (new), 2.13.6B (new), 2.13.6C (new), 2.13.6D (new), 2.13.6E (new), 2.13.6F (new), 2.13.6G (new), 2.13.6H (new), 2.13.6I (new), 2.13.6J (new), 2.13.6K (new), 2.13.7, 2.13.8, 2.34.2A, 2.34.10, 2.37.5;
- 2.30.6, 2.30.7, 2.30.7A (new), 2.38.7 (new), 2.38.8 (new), 2.38.9 (new);
- 2.23.9, 2.23.11, 2.24.2, 2.24.2(a) (new), 2.24.2(b) (new), 2.24.2(c) (new), 2.24.2A (new), 2.24.2A(a) (new), 2.24.2A(b) (new), 2.24.2A(c) (new), 2.24.2B (new), 2.34.1, 2.34.12;
- 2.1.2, 2.8.13, 2.17.1, 2.22.1, 2.29.5N (new), 2.29.5O (new), 2.31.23A (new), 2.37.6, 2.37.7, 2.37.8, 2.38.1, 2.38.2, 2.38.3, 2.38.4, 2.38.5; and
- 2.24.1, 2.24.2.

3.1.2 Procedures

Updates to Market Procedures

The following Market Procedures relating to Chapter 2 of the Market Rules have been updated since last year's market audit:

- Market Procedure for Procedure Administration;
- Market Procedure for Notices and Communications; and
- Transitional arrangements for the Registration of Demand Side Programmes and the association of Non-Dispatchable Loads (New).

Market Procedures currently in the process of being amended

The following Market Procedures relating to Chapter 2 of the Market Rules are under review or are in the process of being amended:

- Market Procedure: Monitoring Protocol;
- Market Procedure for Prudential Requirements;
- Market Procedure for Determining Loss Factors;
- Market Procedure for Facility Registration, Facility De-registration and Facility Transfer; and
- Market Procedure for Registration and De-registration of Rule Participants

Updates to Internal Procedures

The following Internal Procedures relating to Chapter 2 of the Market Rules have been updated since last year's market audit:

- Internal Procedure: Rule Change Process;
- Internal Procedure: Market Procedure Change;
- Internal Procedure: MAC and Working Group Secretariat (new);
- Internal Procedure: Annual Review of MAC Composition;
- Internal Procedure: Overview of 5 yearly reviews and process steps for Market Development 5 yearly reviews (New); and
- Internal Procedure: Market Audits.

Internal Procedures currently under review

The following Internal Procedures are currently under review:

- Internal Procedure: Ancillary Service Requirements;
- Internal Procedure: Loss Factors;
- Internal Procedure: Market Surveillance;
- Internal Procedure: Prudential Requirements; and
- Internal Procedure: Registration.

Relationship between Rule updates and procedures

The extent to which the Rule changes have been reflected in updates to the IMO's processes and procedures is set out in Table 1. (Note, not all Rule changes require a consequential amendment to written procedures.)

3.1.3 Compliance of the IMO's procedures with Chapter 2 of the Market Rules

Additional changes are required for the IMO's procedures to be fully compliant with the Market Rules.

3.2 Compliance with Chapter 2 of the Market Rules

Incidents associated with the IMO implementation of Chapter 2 of the Market Rules are set out in Table 2 below.

None of the breaches to this section of the Rules are deemed to be material; that is the breaches do not compromise the intention of the Market Rules, and/or the decisions made by market participants or otherwise affect the outcome of the market. All have actions associated with them designed to remedy the breach.

3.3 Opinion

PA has reviewed the updated documentation and found that additional changes are required for the IMO's procedures to be fully compliant with Chapter 2 of the Market Rules.

As far as we have been able to determine, there have been no material breaches of the IMO's obligations pursuant to Chapter 2 of the Market Rules.

Table 1: Relationship between Rule changes to Chapter 2 and IMO procedure updates

Amended clauses	Description	Procedure updated?
<ul style="list-style-type: none"> 2.8.1, 2.8.2, 2.11.1, 2.11.2, 2.13.17, 2.13.18, 2.13.22, 2.13.23, 2.13.24, 2.13.26, 2.13.28, 2.15.3(f), 2.16.9G, 2.16.9H, 2.17.3, 2.31.13(e), 2.32.1, 2.32.5, 2.32.6, 2.32.7 	<ul style="list-style-type: none"> Corrected minor errors 	<ul style="list-style-type: none"> Not applicable
<ul style="list-style-type: none"> 2.3.5, 2.3.5A (new) and 2.3.13. 	<ul style="list-style-type: none"> Updated requirements with respect to the composition of the Market Advisory Committee 	<ul style="list-style-type: none"> Yes <ul style="list-style-type: none"> Annual review of MAC composition Internal Procedure
<ul style="list-style-type: none"> 2.10.7, 2.13.6, 2.13.6A (new), 2.13.6B(new), 2.13.6C (new) , 2.13.6D (new), 2.13.6E (new), 2.13.6F (new), 2.13.6G (new), 2.13.6H (new), 2.13.6I (new), 2.13.6J (new), 2.13.6K (new), 2.13.7, 2.13.8, 2.34.2A, 2.34.10, 2.37.5 	<ul style="list-style-type: none"> Updated requirements with respect to System Management monitoring of Market Participants introducing tolerances. Introduces obligations on the IMO with respect to reassessment of tolerance ranges 	<ul style="list-style-type: none"> No <ul style="list-style-type: none"> Requires the creation of an internal procedure within the IMO
<ul style="list-style-type: none"> 2.30.6, 2.30.7, 2.30.7A (new), 2.38.7 (new), 2.38.8 (new), 2.38.9 (new), 	<ul style="list-style-type: none"> Updated Rules relating to facility aggregation and introduced changes with respect to the determination of Reserve Share values Introduces new obligations on the IMO with respect to the maintenance on the website of entities meeting acceptable credit criteria 	<ul style="list-style-type: none"> No <ul style="list-style-type: none"> Requires changes to Facility Registration and Settlement internal procedures
<ul style="list-style-type: none"> 2.23.9, 2.23.11, 2.24.2, 2.24.2(a) (new), 2.24.2(b) (new), 2.24.2(c) (new), 2.24.2A (new), 2.24.2A(a) (new), 2.24.2A(b) (new), 2.24.2A(c) (new), 2.24.2B (new), 2.34.1, 2.34.12 	<ul style="list-style-type: none"> Updated Rules relating to budgeting and fees for the IMO and System Management 	<ul style="list-style-type: none"> No <ul style="list-style-type: none"> Requires the update of the Fees Internal Procedure

3. Market Rule Chapter 2 – Administration. . .

Amended clauses	Description	Procedure updated?
<ul style="list-style-type: none"> • 2.1.2, 2.8.13, 2.17.1, 2.22.1, 2.29.5N (new), 2.29.5O (new), 2.31.23A (new), 2.37.6, 2.37.7, 2.37.8, 2.38.1, 2.38.2, 2.38.3, 2.38.4, 2.38.5 	<ul style="list-style-type: none"> • Removes Network Control Services from the functions of the IMO and introduces changes with respect to Demand Side Programmes and Curtailable Loads 	<ul style="list-style-type: none"> • Partially <ul style="list-style-type: none"> – Market Procedure: Procurement of Network Control Service revoked – Market Procedure for the Pre-Registration of Demand Side Programmes and the association of Curtailable Loads, Non Dispatchable Loads and Interruptible Loads (Transitional arrangements) developed – Requires further amendments to Internal Procedures
<ul style="list-style-type: none"> • 2.24.1, 2.24.2 	<ul style="list-style-type: none"> • Introduces a new reassessment fee in relation to Certified Reserve Capacity 	<ul style="list-style-type: none"> • No <ul style="list-style-type: none"> – Requires the update of the Fees Internal Procedure
<ul style="list-style-type: none"> • 2.29.8B 	<ul style="list-style-type: none"> • Removes redundant wording 	<ul style="list-style-type: none"> • Not applicable

3. Market Rule Chapter 2 – Administration. . .

Table 2: Incidents of non-compliance with Chapter 2

Rule	The Issue	Material?	Comment
2.7.4	The Rule requires that within one business day after the publication of a notice of a Rule Change Proposal, the IMO must notify the MAC as to whether the IMO considers the proposal requires convening a meeting of the MAC. Pursuant to this Rule, the IMO was required to inform the MAC on Tuesday 12 October 2010 of a Rule Change Proposal. However it did not inform the MAC until Thursday 14 October 2010.	No	The Rule Change Proposal had already been to two MAC meetings and widely discussed. The MAC still had 28 business days (the remainder of the submission period) if required. The MAC was informed as soon as the breach was discovered.
MR 2.31.3	The IMO must notify an applicant for registration of receipt of the application within one business day of receipt. A participant submitted a number of applications to list a facility in WEMS forms. The IMO did not identify that these were separate applications and did not send an email receipt within one business day for each one.	No	A receipt was sent by email two days later - as soon as the breach was discovered.
2.36.1(c)	The Rules require the IMO to ensure appropriate testing of new software versions. Some software changes were implemented without first being certified. ²	No	The non-certified changes were not used within the market software prior to certification.

² Further details are contained in the accompanying audit report of the IMO's market software systems and processes for software management.

4 Market Rule Chapter 3 – Power system security and reliability

Market Rule Chapter 3 sets out the Power System Security and Reliability Rules which are the responsibility of the IMO in its Market Administration role.

4.1 Compliance of the IMO's processes and procedures

4.1.1 Rule amendments

Since the last audit, there have been a series of Rule Changes affecting Chapter 3. The amended clauses are as follows:

- 3.21A.7A;
- 3.4.5, 3.5.6, 3.17.1, 3.17.6, 3.21;
- 3.21A.16 (new);
- 3.21AA (new);
- 3.9.2; and
- 3.21.2, 3.21.6(c)(ii), 3.21.6(d)(ii), 3.21.8 (new), 3.21.9 (new), 3.21.10 (new), 3.21.11 (new), 3.21.12 (new).

4.1.2 Procedures

Updates to Market Procedures

The following Market Procedures relating to Chapter 3 of the Market Rules have been updated since last year's market audit:

- None.

Market Procedures currently in the process of being amended

The following Market Procedures relating to Chapter 3 of the Market Rules are under review or are in the process of being amended:

- None.

Updates to Internal Procedures

The following Internal Procedures relating to Chapter 3 have been updated since last year's market audit:

- Processing of System Management Reports.

4. Market Rule Chapter 3 – Power system security and reliability. . .

Internal Procedures currently under review/development

The following Internal Procedures are currently under review or are being developed:

- None.

Relationship between Rule updates and procedures

The extent to which the Rule changes have been reflected in updates to the IMO's processes and procedures is set out in Table 3. (Note, not all Rule changes require a consequential amendment to written procedures.)

4.1.3 Compliance of the IMO's procedures with Chapter 3 of the Market Rules

Additional changes are required for the IMO's procedures to be fully compliant with the Market Rules.

4.2 Compliance with Chapter 3 of the Market Rules

The details of a single incident associated with the IMO's implementation of Chapter 3 of the Market Rules is set out in

Table 4. The materiality of this incident is currently being investigated.

4.3 Opinion

PA has reviewed the updated documentation and found that additional changes are required for the IMO's procedures to be fully compliant with the Market Rules.

With the possible exception of the incident currently being investigated, we have not noted any non-compliance on the part of the IMO with respect to its obligations under Chapter 3 of the Market Rules.

Table 3: Relationship between Rule changes to Chapter 3 and IMO procedure updates

Amended clauses	Description	Procedure updated?
<ul style="list-style-type: none"> • 3.21A.7A 	<ul style="list-style-type: none"> • Deletes certain obligations on System Management with respect to commissioning tests 	<ul style="list-style-type: none"> • Not applicable to the IMO
<ul style="list-style-type: none"> • 3.4.5, 3.5.6, 3.17.1, 3.17.6, 3.21 	<ul style="list-style-type: none"> • Minor amendments 	<ul style="list-style-type: none"> • Not applicable to the IMO
<ul style="list-style-type: none"> • 3.21A.16 (new) 	<ul style="list-style-type: none"> • Introduces new obligations on System Management to supply information to the IMO 	<ul style="list-style-type: none"> • Not applicable to the IMO
<ul style="list-style-type: none"> • 3.21AA (new) 	<ul style="list-style-type: none"> • Describes equipment tests and associated obligations on System Management 	<ul style="list-style-type: none"> • Not applicable to the IMO
<ul style="list-style-type: none"> • 3.9.2 	<ul style="list-style-type: none"> • Minor amendment 	<ul style="list-style-type: none"> • Not applicable to the IMO
<ul style="list-style-type: none"> • 3.21.2, 3.21.6(c)(ii), 3.21.6(d)(ii), 3.21.8 (new), 3.21.9 (new), 3.21.10 (new), 3.21.11 (new), 3.21.12 (new), 	<ul style="list-style-type: none"> • Introduces new provisions and obligations on System Management with respect to Consequential Outages and Forced Outages 	<ul style="list-style-type: none"> • Not applicable to the IMO

Table 4: Incidents of non-compliance with Chapter 3

Rule	The Issue	Material?	Comment
MR 3.22.1(e) and (f).	<p>IMO must provide <i>inter alia</i> Capacity_R_Peak and Capacity_R_Off-Peak values to the Settlement System for each trading month.</p> <p>The IMO failed to provide "new and current" Capacity_R_Peak and Capacity_R_Off-Peak information to the Settlement System for each Trading Month from July 2010 to June 2011.</p>	To be determined	The impact (if any) on the availability payments made to Verve Energy for the provision of Load Following and Spinning Reserve is currently being investigated. We note new values for Capacity_R_Peak and Capacity_R_Off-Peak have been provided for the year commencing July 2011.

5 Market Rule Chapter 4 – Reserve capacity

Market Rule Chapter 4 sets out the Reserve Capacity Rules which are the responsibility of the IMO in its System Capacity role.

5.1 Compliance of the IMO's processes and procedures

5.1.1 Rule amendments

Since the last audit, there have been a series of Rule Changes affecting Chapter 4. The amended clauses are as follows:

- 4.1.26, 4.26.1A;
- 4.25.1, 4.25.2, 4.25.3B, 4.25.4, 4.25A.1, 4.25A.2, 4.25A.3, 4.25A.4, 4.25A.5, 4.25.9;
- 4.8.3;
- 4.11.1, 4.24.1;
- 4.13.7;
- 4.11.3A; and
- 4.1.8, 4.1.9, 4.1.10, 4.1.12, 4.1.13, 4.1.14, 4.1.15A (new), 4.1.16, 4.1.17, 4.1.18, 4.1.20, 4.1.21, 4.1.21A (new), 4.1.26, 4.2.7, 4.4.1, 4.7.1, 4.9.5, 4.9.9, 4.9.9A (new), 4.10.1, 4.10.2, 4.10.3, 4.10.4 (new), 4.11.1, 4.11.2, 4.11.3A, 4.11.5, 4.11.10 (new), 4.11.11 (new), 4.15.1, 4.20.1, 4.20.5A (new), 4.27.10, 4.27.10A, 4.27.11, 4.27.11A, 4.27.11B, 4.27.11C, 4.27.11D, 4.28C.1, 4.28C.2, 4.29.1.

5.1.2 Procedures

Updates to Market Procedures

The following Market Procedures relating to Chapter 4 of the Market Rules have been updated since last year's market audit:

- Market Procedure for Reserve Capacity Testing;
- Market Procedure for Certification of Reserve Capacity;
- Market Procedure for the Determination of the Maximum Reserve Capacity Price; and
- Market Procedure for Reserve Capacity Performance Monitoring.

Market Procedures currently in the process of being amended

The following Market Procedures relating to Chapter 4 of the Market Rules are under review or are in the process of being amended:

5. Market Rule Chapter 4 – Reserve capacity. . .

- Market Procedure for Supplementary Reserve Capacity;
- Market Procedure for Reserve Capacity Testing;
- Market Procedure for Reserve Capacity Security;
- Market Procedure for Individual Reserve Capacity Requirements;
- Market Procedure for Certification of Reserve Capacity;
- Market Procedure for Declaration of Bilateral Trades and the Reserve Capacity Auction; and
- Market Procedure for Undertaking the LT PASA and conducting a review of the Planning Criterion.

Updates to Internal Procedures

The following Internal Procedures relating to Chapter 4 have been updated since last year's market audit:

- Internal Procedure: Reserve Capacity Information Pack.

Internal Procedures currently under review/development

The following Internal Procedures are currently under review or are being developed:

- Internal Procedure: Reserve Capacity Testing;
- Internal Procedure: Certification of Facilities;
- Internal Procedure: Bilateral Trade Declarations;
- Internal Procedure: System Capacity WEMS procedure;
- Internal Procedure: Forecasting Procedure and Reliability;
- Internal Procedure: Determination of Individual Reserve Capacity Requirements;
- Internal Procedure: Supplementary Capacity;
- Internal Procedure: Preparation of the SOO report;
- Internal Procedure: Monitoring the performance of facilities;
- Internal Procedure: Processing of Expressions of Interest for New Capacity - Development version;
- Internal Procedure: Progress Reports for construction of New Capacity;
- Internal Procedure: Calling for Expressions of Interest for New Capacity; and
- Internal Procedure: Determination of Maximum Reserve Capacity Price.

Relationship between Rule updates and procedures

The extent to which the Rule changes have been reflected in updates to the IMO's processes and procedures is set out in Table 5. (Note, not all Rule changes require a consequential amendment to written procedures.)

5. Market Rule Chapter 4 – Reserve capacity. . .

5.1.3 Compliance of the IMO's Procedures with Chapter 4 of the Market Rules

Additional changes are required for the IMO's procedures to be fully compliant with the Market Rules.

5.2 Compliance with Chapter 4 of the Market Rules

Incidents associated with the IMO implementation are set out in Table 6.

None of the breaches to this section of the Rules are deemed to be material; that is the breaches do not compromise the intention of the Market Rules, and/or the decisions made by market participants or otherwise affect the outcome of the market. All have actions associated with them designed to remedy the breach.

5.3 Opinion

PA has reviewed the updated documentation and found that additional changes are required for the IMO's procedures to be fully compliant with the Market Rules.

We have not noted any material non-compliance on the part of the IMO with respect to its obligations under Chapter 4 of the Market Rules.

5. Market Rule Chapter 4 – Reserve capacity. . .

Table 5: Relationship between Rule changes to Chapter 4 and IMO procedure updates

Amended clauses	Description	Procedure updated?
<ul style="list-style-type: none"> • 4.1.26, 4.26.1A, 	<ul style="list-style-type: none"> • Makes adjustments to the Reserve Capacity Obligations and the associated calculation of the Facility Forced Outage Refund. 	<ul style="list-style-type: none"> • Not applicable
<ul style="list-style-type: none"> • 4.25.1, 4.25.2, 4.25.3B, 4.25.4, 4.25A.1, 4.25A.2, 4.25A.3, 4.25A.4, 4.25A.5, 4.25.9 	<ul style="list-style-type: none"> • Makes adjustments with respect to Curtailable Loads in relation to verification tests. Introduces testing for Curtailable Loads. 	<ul style="list-style-type: none"> • Yes <ul style="list-style-type: none"> – Market Procedure for Reserve Capacity testing implemented 1 October 2010
<ul style="list-style-type: none"> • 4.8.3 	<ul style="list-style-type: none"> • Minor/typographical amendments 	<ul style="list-style-type: none"> • Not applicable
<ul style="list-style-type: none"> • 4.11.1, 4.24.1 	<ul style="list-style-type: none"> • Makes adjustments to the method for setting Certified Reserve Capacity. 	<ul style="list-style-type: none"> • No <ul style="list-style-type: none"> – Market Procedure for Certification of Reserve Capacity needs to be amended
<ul style="list-style-type: none"> • 4.13.7 	<ul style="list-style-type: none"> • Minor amendment. 	<ul style="list-style-type: none"> • Not applicable
<ul style="list-style-type: none"> • 4.11.3A 	<ul style="list-style-type: none"> • Makes adjustments to the calculation of the "Relevant Level" for the purposes of setting Certified Reserve Capacity 	<ul style="list-style-type: none"> • No <ul style="list-style-type: none"> – Market Procedure for Certification of Reserve Capacity needs to be amended.
<ul style="list-style-type: none"> • 4.1.8, 4.1.9, 4.1.10, 4.1.12, 4.1.13, 4.1.14, 4.1.15A (new), 4.1.16, 4.1.17, 4.1.18, 4.1.20, 4.1.21, 4.1.21A (new), 4.1.26, 4.2.7, 4.4.1, 4.7.1, 4.9.5, 4.9.9, 4.9.9A (new), 4.10.1, 4.10.2, 4.10.3, 4.10.4 (new), 4.11.1, 4.11.2, 4.11.3A, 4.11.5, 4.11.10 (new), 4.11.11 (new), 4.15.1, 4.20.1, 4.20.5A (new), 4.27.10, 4.27.10A, 4.27.11, 4.27.11A, 4.27.11B, 4.27.11C, 4.27.11D, 4.28C.1, 4.28C.2, 4.29.1 	<ul style="list-style-type: none"> • Makes adjustments to the process and timetabling associated with the Certified Reserve Capacity process 	<ul style="list-style-type: none"> • No <ul style="list-style-type: none"> – Market procedures to be updated include: <ul style="list-style-type: none"> • Undertaking the LT Pasa and conducting a review of the Planning Criterion • Certification of Reserve Capacity • Declaration of Bilateral Trades and the Reserve Capacity Auction • Reserve Capacity security.

Table 6: Incidents of non-compliance with Chapter 4

Rule	The Issue	Material?	Comment
MR 4.1.28(b)	<p>IMO must publish updated individual Reserve Capacity Requirements (IRCRs) by 5pm 5 days before the start of the Trading Month to which they are to apply.</p> <p>The IMO failed to publish IRCR by the due date for the month of January 2011.</p>	No	<p>Updated IRCR values were delivered to three affected participants directly on 4/5 January 2011. This caused billing issues for one of the Participants.</p> <p>The system issue that caused this breach has now been fixed.</p>
MR4.5.3	<p>The IMO must notify Rule Participants no later than 1 April of Year 1 of the RC Cycle of the information required under clause MR 4.5.2 (a list of required data to be gathered for the LT PASA).</p> <p>One of these pieces of information is "expected transmission network capabilities allowing for expansion plans, losses and constraints" (MR 4.5.2(d)), which would need to be provided by Western Power networks.</p> <p>While Western Power networks provided some of this information for the Statement of Opportunities report (SOO), this was not requested before 1 April. The mail out was only sent to Market Customers and Market Generators.</p>	No	<p>The information was subsequently requested and received from Western Power as input for the 2010 SOO. The associated procedure is to be updated with a clear process and the template for a letter to be sent to Western Power.</p>
MR 4.13.11	<p>The IMO must return Reserve Capacity Security within 20 business days after the end of the Relevant Capacity Year when Reserve Capacity Obligation Quantities (RCOQ's) cease to apply.</p> <p>The IMO did not return Reserve Capacity Security to two participants until July 2011. These deposits were for Capacity Year 2009/10. The IMO held a cash deposit for one and a bank undertaking for the other.</p>	No	<p>Security deposits were returned to both participants by 6/7/2011.</p> <p>Interest payments were being paid to the participant with a cash deposit, so the only impact was delayed access to capital.</p> <p>The cost to the other participant for extending its bank undertaking is understood to be</p>

5. Market Rule Chapter 4 – Reserve capacity. . .

Rule	The Issue	Material?	Comment
			negligible.
MR 4.27.2	<p>By the 25th of each month, the IMO must assess the number of days in the preceding 12 months when available capacity dropped below capacity credits held by Market Participants. The IMO failed to carry out monthly assessment of the total available capacity in the SWIS versus the total Capacity Credits held by Market Participants.</p> <p>No action is required unless the number of days exceeds 40. If the number of days exceeds 40, the IMO is to request Market Participants to provide a report.</p> <p>In the months, May, Oct and Nov 2010 this assessment was not done on time.</p>	No	<p>Subsequent assessment showed that the 40 day trigger was not reached.</p> <p>System changes have been made to prevent this reoccurring, with a further system change in future to automate the notification.</p>
Market Procedure for: Individual Reserve Capacity Requirements Step 1.5.	<p>The Market Procedure requires IMO, in late July, to send out a reminder to Market Participants to submit Individual Reserve Capacity Requirement (IRCR) information to the IMO. This reminder was not sent for the most recent capacity allocation round.</p>	No	<p>An email reminder was sent out as soon as the breach was discovered.</p> <p>The IMO is intending to revise the Procedure to remove the requirement to send reminders.</p>
Appendix 5A (Non-Temperature Dependent Load Requirements)	<p>The IMO must perform the listed steps for the NTDL calculation. This includes an assessment of whether the load deviated by more than 10% below a median consumption level for more than 10% of a defined period. The defined period excludes Trading Intervals for which the Market Customer provides evidence that the load was subject to maintenance.</p> <p>It appears that there was a mistake in the software that determines whether the participants qualify as a NDTL and that the error had existed from market start.</p>	No	<p>The current NTDL calculation tool is being amended to correct the calculation.</p> <p>Indicative re-calculation has indicated that the error did not result in any participants being incorrectly categorised.</p> <p>A WEMS-based NTDL calculation is due for implementation in mid-2012, replacing the existing tool.</p>



6 Market Rule Chapter 5 – Network control service procurement

Market Rule Chapter 5 sets out the Network Control Service Procurement Rules. Rule changes promulgated in the past year have had the effect of moving responsibility for this area from the IMO to the Network Operator.

6.1 Compliance of the IMO's processes and procedures

6.1.1 Rule amendments

The following clauses which relate to the IMO's obligations have been amended since last year's annual audit:

- 5.1.1, 5.1.2, 5.1.3, 5.1.4, 5.2.1, 5.2.2, 5.2.3, 5.2.4, 5.2.5, 5.2.6, 5.2.7, 5.2A.1 (new), 5.2A.2 (new), 5.3.1, 5.3.2, 5.3.3, 5.3.4, 5.3.5, 5.3.6, 5.3.7, 5.3.8, 5.3.9, 5.3A.1 (new), 5.3A.2 (new), 5.3A.3 (new), 5.3A.4 (new), 5.4.1, 5.4.2, 5.4.3, 5.4.4, 5.4.5, 5.4.6, 5.4.7, 5.4.8, 5.4.9, 5.4.10, 5.4.11, 5.4.12, 5.4.13, 5.4.14, 5.5.1, 5.5.2, 5.5.3, 5.5.4, 5.6.1, 5.6.2, 5.6.3, 5.7.1, 5.7.2, 5.8.1, 5.8.2, 5.8.3, 5.8.4, 5.8.5, 5.8.6, 5.8.7, 5.8.8, 5.9.1, 5.9.2 (new), 5.9.3 (new).

These changes transfer responsibility for the procurement of network control services to the network operator.

6.1.2 Documentation

Pursuant to the Rule changes describe above, the following procedure has been revoked:

- Market Procedure: Procurement of Network Control Service.

6.2 Compliance with Chapter 5 of the Market Rules

The IMO has not used the provisions of Chapter 5 of the Market Rules.

6.3 Opinion

The IMO is compliant with Chapter 5 of the Market Rules.

7 Market Rule Chapter 6 – Energy market

Market Rule Chapter 6 sets out the Energy Market Rules, which are the responsibility of the IMO in its Market Operations role.

7.1 Compliance of the IMO's processes and procedures

7.1.1 Rule amendments

The following clauses which relate to the IMO's obligations have been amended since last year's annual audit:

- 6.16.1, 6.4.6;
- 6.2.2, 6.2.2A, 6.2A.2, 6.3A.2, 6.3A.3, 6.3B.1B, 6.3B.3, 6.3C.3, 6.3C.9, 6.4.1, 6.4.3, 6.5.1A, 6.5A.2, 6.5C.2, 6.5.4, 6.5C.6, 6.6.2A, 6.6.5, 6.7.2, 6.14.1, 6.16.1, 6.18.2, 6.19.3, 6.19.4, 6.19.9, 6.20.1, 6.20.9A, 6.21.1, 6.21.2;
- 6.15.1, 6.15.2; and
- 6.17.6.

7.1.2 Procedures

Updates to Market Procedures

No Market Procedures associated with Chapter 6 of the Market Rules have been amended since the last market audit.

Market Procedures currently in the process of being amended

The following Market Procedures relating to Chapter 6 of the Market Rules are under review or are in the process of being amended:

- Operations Contingency Procedures³.

Updates to Internal Procedures

The following Internal Procedures are new or updated since last year's market audit:

- Internal Procedure: Energy Price Limits Review.

³ This is an External Document published by the IMO, rather than a Market Procedure *per se*.

Internal Procedures currently under review/development

The following Internal Procedures are currently under review or are being developed:

- Internal Procedure: Operational Contingency Procedure;
- Internal Procedure: Daily Operations Procedure Manual; and
- : Monthly Operational Procedure Manual.

Relationship between Rule updates and procedures

The extent to which the Rule changes have been reflected in updates to the IMO's processes and procedures is set out in Table 7. (Note, not all Rule changes require a consequential amendment to written procedures.)

7.1.3 Compliance of the IMO's Procedures with Chapter 6 of the Market Rules

We are conscious that the operational review conducted over the past year indicated that further work was required on some of the IMO's internal procedures relating to Chapter 6, notably the Operational Contingency Procedure to ensure that they are fully compliant. As indicated above, this work is currently underway.

7.2 Compliance with Chapter 6 of the Market Rules

Incidents associated with the IMO implementation are set out in Table 8 below.

There has been one material breach. It was a one-off event resulting in incorrect calculation of the STEM auction.

7.3 Opinion

PA has reviewed the updated documentation and found that additional changes are required for the IMO's procedures to be fully compliant with Chapter 6 of the Market Rules.

PA is satisfied that steps have been taken to avoid reoccurrence of the single one-off material breach identified with respect to the IMO's obligations under Chapter 9 of the Market Rules.

Table 7: Relationship between Rule changes to Chapter 6 and IMO procedure updates

Amended clauses	Description	Procedure updated?
<ul style="list-style-type: none"> 6.16.1, 6.4.6, 	<ul style="list-style-type: none"> Minor amendments 	<ul style="list-style-type: none"> Not applicable
<ul style="list-style-type: none"> 6.2.2, 6.2.2A, 6.2A.2, 6.3A.2, 6.3A.3, 6.3B.1B, 6.3B.3, 6.3C.3, 6.3C.9, 6.4.1, 6.4.3, 6.5.1A, 6.5A.2, 6.5C.2, 6.5.4, 6.5C.6, 6.6.2A, 6.6.5, 6.7.2, 6.14.1, 6.16.1, 6.18.2, 6.19.3, 6.19.4, 6.19.9, 6.20.1, 6.20.9A, 6.21.1, 6.21.2, 	<ul style="list-style-type: none"> Minor amendments relating to the extension of the bilateral window 	<ul style="list-style-type: none"> Yes <ul style="list-style-type: none"> – Daily Operations and Operational Contingency internal procedures have been updated
<ul style="list-style-type: none"> 6.15.1, 6.15.2 	<ul style="list-style-type: none"> Minor amendments 	<ul style="list-style-type: none"> Not applicable
<ul style="list-style-type: none"> 6.17.6 	<ul style="list-style-type: none"> Minor amendments associated with changes to Network Control Service Contracts 	<ul style="list-style-type: none"> Not applicable

Table 8: Incidents of non-compliance with Chapter 6

Rule	The Issue	Material?	Comment
MR 6.4.2	<p>The IMO must communicate to System Management the total quantity of energy scheduled to be supplied under bilateral contracts and in the STEM auction, by 10.30 am.</p> <p>On 24 September 2010, there was error with the file transfer between IMO and SM. The file appeared to be sent but SM did not receive the information by the specified time.</p>	No	System Management contacted the IMO and the files were sent at 11.20AM. There was no financial impact or other disadvantage.

Rule	The Issue	Material?	Comment
MR 6.3A.3	By 9.05 each day the IMO must calculate and release certain information to each Participant. On 8 October 2010, an unexpected system delay caused the release to be two minutes late.	No	No immediate impact The underlying IT problem that led to this delay has been fixed.
MR 6.14.1	The IMO must publish MCAP, DDAP and UDAP values by 3pm each business day after a trading day. On 6 Jan 2011, these values were not published until 15:03.	No	No immediate impact. System run time has been resolved through database indexing.
MR 6.4.6 (a)	The IMO may extend Bilateral timelines but not for more than two hours total. On 1 March 2011, the IMO extended the bilateral submission window beyond the allowable two-hour delay.	No	The decision to extend was made in an attempt to avoid suspension of the auction altogether. The IMO eventually had to suspend the STEM auction.
MR 6.3A.3	By 9.05am, the IMO must calculate and release to each market participant information used in forming its STEM submissions for each trading interval in the trading day including: <ul style="list-style-type: none"> • The total quantity of Capacity Credits held by that market participant; • The estimated Loss Factor adjusted quantity of energy that could be potentially called upon by System Management. On 11 June 2011, the loss adjusted total capacity for Alinta's Wagerup facility was incorrectly calculated during the facility aggregation process, with the omission of a 175MW capacity credit obligation in Alinta's report for trading date 15/06/2011.	No	The aggregation errors were corrected when found and Alinta was advised. This caused only minor administrative difficulty for Alinta, and there was no financial impact.
MR 6.9.3, 6.9.5 and 6.9.6	The IMO must determine STEM Offers and STEM Bids for each Market Participant for each trading interval, and must determine aggregate STEM bid and offer curves for use in the STEM auction.	Yes	The issue was identified that day, as a function of the software limiting the number of participants to 50. It had not been identified in earlier testing, as this was the first time that

Rule	The Issue	Material?	Comment
	<p>STEM results published for Trading Day 24 March 2011 were not accurate due to a systems issue that resulted in the auction disregarding the STEM and Bilateral nominations from two parties when the STEM auction took place on 23 March 2011.</p>		<p>the number of participants had been more than 50.</p> <p>The impact of the incorrect auction inputs was distributional - some participants would have paid less, and others more, by around \$30,000.</p> <p>The error was discovered after the publication of the STEM auction results. Once published, there is no mechanism under the rules for the IMO to recalculate and republish the results, so the financial impact could not be corrected.</p> <p>The IMO implemented a fix to the systems the same day, and the next STEM auction correctly included all participants.</p>
6.12.1(c) and 6.12.1(f)	<p>The IMO must determine dispatch merit orders for decommitment, generation increase and generation decrease in peak and off-peak periods, which must include all facilities of certain types, depending on the particular merit order.</p> <p>The Merit orders for generation decrease published for Trading Day 24 March 2011 were not accurate, as the merit orders for generation decrease did not include all Non-Scheduled Generators.</p>	No	<p>The error was caused by the same software issue as the STEM issue above, and was identified and resolved in the same timeframe.</p> <p>In this case there was no financial impact, as the affected participants were well down the merit order, and would not have been called on even if they had been included.</p>

8 Market Rule Chapter 7 – Dispatch

Market Rule Chapter 7 sets out the Dispatch Rules which are the responsibility of System Management and the IMO in its Market Operations role.

8.1 Compliance of the IMO's processes and procedures

8.1.1 Rule amendments

The following clauses which relate to the IMO's obligations have been amended since last year's annual audit:

- 7.10.5, 7.10.5B (new), 7.10.7, 7.11.3, 7.11.4, 7.11.6A, 7.11.9;
- 7.10.2, 7.10.5A(b), 7.12.1, 7.13.1;
- 7.7.4A; and
- 7.1.1, 7.6.1A (new), 7.6.6, 7.7.5B, 7.7.5E (new), 7.13.1, 7.13.1C (new).

8.1.2 Procedures

Updates to Market Procedures

The following Market Procedures relating to Chapter 7 of the Market Rules have been updated since last year's market audit:

- None.

There are no Market Procedures currently in the process of being amended.

Updates to Internal Procedures

There have been no updates to the IMO's internal procedures relating to Chapter 7 since the last market audit, and no internal procedures are currently under review or development.

Relationship between Rule updates and procedures

The extent to which the Rule changes have been reflected in updates to the IMO's processes and procedures is set out in Table 9. (Note, not all Rule changes require a consequential amendment to written procedures.)

8.1.3 Compliance of the IMO's Procedures with Chapter 7 of the Market Rules

The procedures, if followed, should result in compliance with the Market Rules.

8.2 Compliance with Chapter 7

There were no Incidents associated with the IMO's implementation of Chapter 7.

8.3 Opinion

As far as we have been able to determine, the IMO has complied with its obligations pursuant to Chapter 7 of the Market Rules.

Table 9: Relationship between Rule changes to Chapter 7 and IMO procedure updates

Amended clauses	Description	Procedure updated?
<ul style="list-style-type: none"> • 7.10.5, 7.10.5B (new), 7.10.7, 7.11.3, 7.11.4, 7.11.6A, 7.11.9, 	<ul style="list-style-type: none"> • Introduces Tolerance Ranges 	<ul style="list-style-type: none"> • Not applicable to the IMO
<ul style="list-style-type: none"> • 7.10.2, 7.10.5A(b), 7.12.1, 7.13.1 	<ul style="list-style-type: none"> • Consequential changes relating to new provisions relating to Equipment Tests 	<ul style="list-style-type: none"> • Not applicable to the IMO
<ul style="list-style-type: none"> • 7.7.4A 	<ul style="list-style-type: none"> • Minor amendment 	<ul style="list-style-type: none"> • Not applicable
<ul style="list-style-type: none"> • 7.1.1, 7.6.1A (new), 7.6.6, 7.7.5B, 7.7.5E (new), 7.13.1, 7.13.1C (new) 	<ul style="list-style-type: none"> • Minor amendments reflecting System Management's new obligations with respect to Network Control Service Contracts 	<ul style="list-style-type: none"> • Not applicable

9 Market Rule Chapter 8 – Wholesale market metering

Market Rule Chapter 8 sets out the Wholesale Market Metering Rules which are the responsibility of the IMO in its Market Operations role.

9.1 Compliance of the IMO's processes and procedures

9.1.1 Rule amendments

The following clauses which relate to the IMO's obligations have been amended since last year's annual audit:

- 8.7.1.

This amendment was minor in nature and did not affect the IMO's obligations.

9.1.2 Procedures

Updates to Market Procedures

There have been no updates to Market Procedures relating to Chapter 8 of the Market Rules since last year's market audit. The following Market Procedure is under review:

- Market Procedure for Meter Data Submissions.

Updates to Internal Procedures

There have been no updates to the IMO's Internal Procedures relating to Chapter 8 of the Market Rules since last year's market audit. The following Internal Procedure is under review:

- Internal Procedure: Metering Procedure Manual.

9.1.3 Compliance of the IMO's Procedures with Chapter 8 of the Market Rules

The procedures, if followed, should result in compliance with the Market Rules.

9.2 Compliance with Chapter 8 of the Market Rules

There have been no incidents associated with the IMO's implementation of Chapter 8 of the Market Rules.

9.3 Opinion

As far as we have been able to determine, the IMO has complied with its obligations pursuant to Chapter 8 of the Market Rules.

10 Market Rule Chapter 9 – Settlement

Market Rule Chapter 9 sets out the Settlement Rules which are the responsibility of the IMO in its Market Operations role.

10.1 Compliance of the IMO's processes and procedures

10.1.1 Rule amendments

The following clauses which relate to the IMO's obligations have been amended since last year's annual audit:

- 9.18.3, 9.24.1, 9.24.3, 9.24.3A, 9.24.4, 9.24.5, 9.24.8, 9.24.8A, 9.24.6;
- 9.4.5, 9.4.7, 9.17.3, 9.18.3, 9.19.5, 9.20.5, 9.20.7, 9.24.10;
- 9.16.3 and 9.16.3A (new); and
- 9.12.1, 9.12.2, 9.14.1, 9.14.2, 9.18.3, 9.24.3A.
- 9.3.3, 9.18.3, 9.24.1, 9.24.3, 9.24.3A, 9.24.4, 9.24.5, 9.24.8, 9.24.8A, 9.24.6.

10.1.2 Procedures

Updates to Market Procedures

There have been no updates to Market Procedures relating to Chapter 9 of the Market Rules have since last year's market audit. The following Market Procedures are under review:

- Market Procedure for Settlements;
- Market Procedure for Capacity Credit Allocation (Settlements); and
- Market Procedure for Intermittent Load Refunds (Settlements); and
- Market Procedure: Settlement Cycle Timeline.

Updates to Internal Procedures

There have been no updates to the IMO's Internal Procedures relating to Chapter 9 of the Market Rules since last year's market audit. The following Internal Procedures are under review:

- Internal Procedure: Settlement (and STEM Settlement); and
- Internal Procedure: Operational Finance.

Relationship between Rule updates and Procedures

The extent to which the Rule changes have been reflected in updates to the IMO's processes and procedures is set out in Table 10. (Note, not all Rule changes require a consequential amendment to written procedures.)

10.1.3 Compliance of the IMO's Procedures with Chapter 9 of the Market Rules

Additional changes are required for the IMO's procedures to be fully compliant with the Market Rules.

10.2 Compliance with Chapter 9 of the Market Rules

Incidents associated with the IMO implementation are set out in Table 11 and Table 12 below.

There have been two material breaches. Both were one-off events resulting in a delay in settlement. We also note one further issue which had material impact on the market though was not judged a breach of the rules.

10.3 Opinion

PA has reviewed the updated documentation and found that additional changes are required for the IMO's procedures to be fully compliant with the Market Rules.

PA is satisfied that steps are underway to avoid reoccurrence of the two one-off material breaches identified with respect to the IMO's obligations under Chapter 9 of the Market Rules.

Table 10: Relationship between Rule changes to Chapter 9 and IMO procedure updates

Amended clauses	Description	Procedure updated?
<ul style="list-style-type: none"> 9.18.3, 9.24.1, 9.24.3, 9.24.3A, 9.24.4, 9.24.5, 9.24.8, 9.24.8A, 9.24.6 	<ul style="list-style-type: none"> Corrects minor and typographical errors Inserts additional detail with respect to the allocation of any Default Levy amount 	<ul style="list-style-type: none"> Partially <ul style="list-style-type: none"> The Operational Finance internal procedure is currently being updated. The new rule change is in line with current operational practice.
<ul style="list-style-type: none"> 9.4.5, 9.4.7, 9.17.3, 9.18.3, 9.19.5, 9.20.5, 9.20.7, 9.24.10, 	<ul style="list-style-type: none"> Corrects minor and typographical errors 	<ul style="list-style-type: none"> Not applicable
<ul style="list-style-type: none"> 9.16.3 and 9.16.3A (new) 	<ul style="list-style-type: none"> Makes amendments to the scope and focus of the settlement Adjustment Process 	<ul style="list-style-type: none"> Yes <ul style="list-style-type: none"> This has been picked up in the publication of the Settlement Cycle Timeline
<ul style="list-style-type: none"> 9.12.1, 9.12.2, 9.14.1, 9.14.2, 9.18.3, 9.24.3A 	<ul style="list-style-type: none"> Deletes settlement provisions relating to changes to Network Control Services 	<ul style="list-style-type: none"> Not applicable
<ul style="list-style-type: none"> 9.3.3, 9.18.3, 9.24.1, 9.24.3, 9.24.3A, 9.24.4, 9.24.5, 9.24.8, 9.24.8A, 9.24.6 	<ul style="list-style-type: none"> Makes changes to settlement in default situations so as to include interest 	<ul style="list-style-type: none"> Not applicable

Table 11: Incidents of non-compliance with Chapter 9

Rule	The Issue	Material?	Comment
9.4.2	<p>The IMO must prescribe a Capacity Allocation Submission form and publish it on the market website. The Form was published but a system issue meant it could not be used for submission.</p> <p>On 4 August 2010 a participant attempted to make a submission and found that it could not.</p>	No	The participant notified the IMO and the problem was immediately fixed (on 4 August), allowing it to submit. No other participants had attempted to make submissions during the period.

Rule	The Issue	Material?	Comment
9.4.10	<p>The IMO must contact any market participant that has more capacity credits than it requires to meet its Individual Reserve Capacity Requirement (IRCR) and request the market participant to nominate modifications to the total number of capacity credits allocated to it under each individual capacity credit allocation submission to ensure that the total capacity credit allocated do not exceed the market participant's IRCR.</p> <p>The IMO failed to do this on one occasion.</p>	No	WEMS changes have been made to Market Reports to clearly identify over allocations to participants, effective Wednesday 18 May 2011.
MR 9.16.2 (b) (v)	<p>The IMO must follow the Capacity Credit Allocation Submission Timeline as published by the settlement cycle timeline.</p> <p>On 24 February 2010, the IMO failed to notify market participants of the IMO's acceptance of Capacity Credit Allocation submission.</p>	No	The IMO published information the next morning on 25/02/11 at 8:56am, rather than 24/2/11 at 5:00pm as stated by the settlement cycle time line.
9.17.1	<p>IMO must publish non-STEM settlement statements by the specified date and time.</p> <p>On 11 January 2011, the IMO failed to publish settlement statements on time. The problem was caused by a fault in a WEMS system update.</p>	Yes	The IMO published the settlement statements two days later once a system fix had been developed, tested and released. The net impact was a two-day delay in the settlement of the market.
9.17.2(c)i.	<p>The STEM settlement statement must include STEM clearing price & quantity, and settlement amount for the participant. The STEM Clearing Price for all intervals must to be published as per the Settlement Cycle Timeline on the Statements and Invoicing day (MR 9.16.1(a)).</p> <p>On 24 December 2010, the IMO failed to include the STEM Clearing Prices with the STEM Settlement Statements.</p>	No	Participants can access STEM price and quantity through the Market Participant Interface. Statements were also published meaning participants were able to still see their price and quantity.

Rule	The Issue	Material?	Comment
9.22.8.	<p>The IMO must pay the full amount of an invoice to a participant in cleared funds by 2pm on the settlement date specified in the invoice.</p> <p>On 5 October 2010, due to a failure to authorise Austraclear to make payments in time, the IMO failed to pay Rule Participants by 2 pm on STEM settlement day.</p>	No	The IMO contacted affected participants and advised them of the issue. The affected Participants were happy to receive payment the next day. Payment took place the following day.
9.22.8.	<p>The IMO must pay the full amount of an invoice to a participant in cleared funds by 2pm on the settlement date specified in the invoice.</p> <p>On 22 Dec 2010, due to a failure to authorise Austraclear to make payment in time, the IMO failed to pay Rule Participants by 2 pm on STEM settlement day.</p>	No	IMO contacted the participants and offered to arrange a RCGS payment directly into the participant's bank account prior to the Market Rule deadline of 2.00pm but the participant declined and asked for the payment on the 23/12/2010. Funds were paid next day as requested.
9.22.8	<p>The IMO must pay the full amount of an invoice to a participant in cleared funds by 2pm on the settlement date specified in the invoice.</p> <p>On 10 February 2011, IMO failed to pay System Management and the ERA as required for the period December 2010. Payments to System Management and ERA were inadvertently missed when processing payments after a market default situation.</p>	Yes	<p>The IMO tried to arrange to pay the next day but the recipients could not collect (because they did not have the authorized people available), so the transactions were created for Monday 14 February 2011.</p> <p>The IMO is intending to include a new section in its Operations Finance Procedure to capture short-payment steps and the process that needs to be followed.</p>
MR 9.22.8.	<p>The IMO must pay the full amount of an invoice to a participant in cleared funds by 2pm on the settlement date specified in the invoice.</p> <p>On 21 March 2011, due to a failure to authorise Austraclear to make payments in time, the IMO failed to pay the full Non-STEM settlement amount to two participants in cleared funds by 2 pm.</p>	No	The amounts were paid the next day. The amounts involved were very small.

Table 12: Other material incidents related to Chapter 9

Rule	The Issue	Comment
9.9.2	<p>The IMO calculates Ancillary Service payments using ancillary service quantity data supplied by System Management for each trading interval.</p> <p>This data was being provided in MWh, but applied in the IMO's systems as a MW value.</p> <p>This treatment resulted in over-payment to and over-recovery from various market participants from 2006 to 2011.</p>	<p>The IMO had an external consultant independently confirm its findings, and reported it to the IMO Board and to the market.</p> <p>As the Rules did not specify the units to be used in these calculations, IMO sought legal advice on whether or not it had breached the rules. The IMO determined that the most that could be said was that the IMO had made an error in administering the Rules.</p> <p>To correct the position the IMO arranged for an IT system fix, notified all participants of the position and recalculated settlement amounts back to May 2010 - the maximum permitted by the rules.</p> <p>Participants raised no further concerns.</p>

11 Market Rule Chapter 10 - Market information

Market Rule Chapter 10 sets out the Market Information Rules which are the responsibility of the IMO in its Market Administration role.

11.1 Compliance of the IMO's processes and procedures

11.1.1 Rule amendments

The following clauses which relate to the IMO's obligations have been amended since last year's annual audit:

- 10.2.2, 10.5.1(r);
- 10.5.1, 10.7.1, 10.8.2;
- 10.6.1;
- 10.5.1;
- 10.2.2, 10.5.1(r);
- 10.5.1, 10.7.1, 10.8.2;
- 10.6.1; and
- 10.5.1(vD).

11.1.2 Procedures

Updates to Market Procedures

The following Market Procedures relating to Chapter 10 of the Market Rules have been updated since last year's market audit:

- Market Procedure for Web Site Changes; and
- Market Procedure for Data and IT Interface Requirements.

There are currently no Market Procedure change proposals relating to Chapter 10 under development.

Updates to Internal Procedures

The following Internal Procedures are new or updated since last year's market audit:

- Internal Procedure: Publish to Web for Market Development Team.

11. Market Rule Chapter 10 - Market information. . .

The following Internal Procedures are currently under review or are being developed:

- Internal Procedure: Handling of Confidential Information.

Relationship between Rule updates and Procedures

The extent to which the Rule changes have been reflected in updates to the IMO's processes and procedures is set out in Table 13. (Note, not all Rule changes require a consequential amendment to written procedures.)

11.1.3 Compliance of the IMO's Procedures with Chapter 10 of the Market Rules

As far as we are able to determine, the IMO's procedures are compliant with its obligations under Chapter 10 of the Market Rules.

11.2 Compliance with Chapter 10 of the Market Rules

Incidents associated with the IMO implementation are set out in Table 14 below.

None of the breaches to this section of the Rules are deemed to be material; that is the breaches do not compromise the intention of the Market Rules, and/or the decisions made by market participants or otherwise affect the outcome of the market. All have actions associated with them designed to remedy the breach.

11.3 Opinion

PA has reviewed the updated documentation and found it to be compliant with its obligations under Chapter 10 of the Market Rules.

As far as we have been able to determine, there have been no material breaches of the IMO's obligations pursuant to Chapter 10 of the Market Rules.

Table 13: Relationship between Rule changes to Chapter 10 and IMO procedure updates

Amended clauses	Description	Procedure updated?
<ul style="list-style-type: none"> • 10.2.2, 10.5.1(r) 	<ul style="list-style-type: none"> • Minor corrections 	<ul style="list-style-type: none"> • Not applicable
<ul style="list-style-type: none"> • 10.5.1, 10.7.1, 10.8.2 	<ul style="list-style-type: none"> • Information updates with respect to Reserve Capacity 	<ul style="list-style-type: none"> • Not applicable
<ul style="list-style-type: none"> • 10.6.1. 	<ul style="list-style-type: none"> • Information relating to commissioning tests 	<ul style="list-style-type: none"> • Not applicable
<ul style="list-style-type: none"> • 10.5.1(vD) 	<ul style="list-style-type: none"> • Information relating to reports relating to Network Service Contracts 	<ul style="list-style-type: none"> • Not applicable

Table 14: Incidents of non compliance with Chapter 10

Rule	The Issue	Material?	Comment
10.5.1(y)	The IMO must publish generation data for each trading interval for the previous 12 months on the public website. The Real-time generation report being published on the public web-site is incomplete. From 6 May 2010, a system error resulted in the report missing trading intervals 1 through 7.	No	Participants usually access the data through the MPI and this showed correct data. The problem only existed in the Public Website. The problem was corrected in July-August 2010
10.2.2(c)	This Rule establishes a confidentiality class called Rule Participant Market Restricted. Information in this class may be made available only to the Rule Participant and other regulators. Information about the value of ancillary services contracts was disclosed to a consultant acting for a participant interested in competing for ancillary services contracts.	No	We understand that this breach conveyed no material advantage, as the information released is published on the market website. More broadly, we understand that there is an initiative underway to simplify the current categories of confidentiality status via a Rule Change. An update of the confidentiality status of all documents will follow the Rule change.

Appendix A: Rule changes since the last Market Audit

Table 15: Market Rule changes

Date	Amendment	Reference
1 September 2010	IMO amended clauses 2.8.1, 2.8.2, 2.11.1, 2.11.2, 2.13.17, 2.13.18, 2.13.22, 2.13.23, 2.13.24, 2.13.26, 2.13.28, 2.15.3(f), 2.16.9G, 2.16.9H, 2.17.3, 2.31.13(e), 2.32.1, 2.32.5, 2.32.6, 2.32.7, 3.21A.7A, 4.1.26, 4.26.1A, 10.2.2, 10.5.1(r) and the Glossary of the Market Rules.	RC_2010_16 RC_2010_18
1 October 2010	IMO amended clauses 2.29.8B, 4.25.1, 4.25.2, 4.25.3B, 4.25.4, 4.25A.1, 4.25A.2, 4.25A.3, 4.25A.4, 4.25A.5, 4.25.9, 6.16.1, 6.4.6, 9.3.3, 9.18.3, 9.24.1, 9.24.3, 9.24.3A, 9.24.4, 9.24.5, 9.24.8, 9.24.8A, 9.24.6 and the Glossary of the Market Rules	RC_2008_20 RC_2010_04 RC_2010_10
1 November 2010	IMO amended clauses 2.3.5, 2.3.5A (new) and 2.3.13.	RC_2010_15
1 December 2010	IMO amended clauses 2.10.7, 2.13.6, 2.13.6A (new), 2.13.6B(new), 2.13.6C (new) , 2.13.6D (new), 2.13.6E (new), 2.13.6F (new), 2.13.6G (new), 2.13.6H (new), 2.13.6I (new), 2.13.6J (new), 2.13.6K (new), 2.13.7, 2.13.8, 2.34.2A, 2.34.10, 2.37.5, 3.4.5, 3.5.6, 3.17.1, 3.17.6, 3.21.4, 3.21.7, 4.8.3, 6.2.2, 6.2.2A, 6.2A.2, 6.3A.2, 6.3A.3, 6.3B.1B, 6.3B.3, 6.3C.3, 6.3C.9, 6.4.1, 6.4.3, 6.5.1A, 6.5A.2, 6.5C.2, 6.5.4, 6.5C.6, 6.6.2A, 6.6.5, 6.7.2, 6.14.1, 6.16.1, 6.18.2, 6.19.3, 6.19.4, 6.19.9, 6.20.1, 6.20.9A, 6.21.1, 6.21.2, 7.10.5, 7.10.5B (new), 7.10.7, 7.11.3, 7.11.4, 7.11.6A, 7.11.9, 8.7.1, 9.4.5, 9.4.7, 9.17.3, 9.18.3, 9.19.5, 9.20.5, 9.20.7, 9.24.10, 10.5.1, 10.7.1, 10.8.2, and the Glossary of the Market Rules.	RC_2009_22 RC_2010_26

Date	Amendment	Reference
1 January 2011	IMO amended clauses 3.21A.16 (new) and 10.6.1.	RC_2009_08 RC_2010_34
1 February 2011	IMO amended clauses 3.21AA (new), 4.11.1, 4.24.1, 7.10.2, 7.10.5A(b), 7.12.1, 7.13.1 and the Glossary of the Market Rules.	RC_2009_37 RC_2010_35
1 April 2011	IMO amended clauses 2.30.6, 2.30.7, 2.30.7A (new), 2.38.7 (new), 2.38.8 (new), 2.38.9 (new), 3.9.2, 4.13.7 and Appendix 2.	RC_2010_06 RC_2010_36
1 May 2011	IMO amended clauses 2.23.9, 2.23.11, 2.24.2, 2.24.2(a) (new), 2.24.2(b) (new), 2.24.2(c) (new), 2.24.2A (new), 2.24.2A(a) (new), 2.24.2A(b) (new), 2.24.2A(c) (new), 2.24.2B (new), 2.34.1, 2.34.12, 3.21.2, 3.21.6(c)(ii), 3.21.6(d)(ii), 3.21.8 (new), 3.21.9 (new), 3.21.10 (new), 3.21.11 (new), 3.21.12 (new), 6.15.1, 6.15.2, 7.7.4A, 9.16.3 and 9.16.3A (new) and the Glossary of the Market Rules.	RC_2010_19 RC_2010_20 RC_2010_21 RC_2010_23
1 July 2011	IMO amended clauses 2.1.2, 2.8.13, 2.17.1, 2.22.1, 2.29.5N (new), 2.29.5O (new), 2.31.23A (new), 2.37.6, 2.37.7, 2.37.8, 2.38.1, 2.38.2, 2.38.3, 2.38.4, 2.38.5, 4.11.3A, 5.1.1, 5.1.2, 5.1.3, 5.1.4, 5.2.1, 5.2.2, 5.2.3, 5.2.4, 5.2.5, 5.2.6, 5.2.7, 5.2A.1 (new), 5.2A.2 (new), 5.3.1, 5.3.2, 5.3.3, 5.3.4, 5.3.5, 5.3.6, 5.3.7, 5.3.8, 5.3.9, 5.3A.1 (new), 5.3A.2 (new), 5.3A.3 (new), 5.3A.4 (new), 5.4.1, 5.4.2, 5.4.3, 5.4.4, 5.4.5, 5.4.6, 5.4.7, 5.4.8, 5.4.9, 5.4.10, 5.4.11, 5.4.12, 5.4.13, 5.4.14, 5.5.1, 5.5.2, 5.5.3, 5.5.4, 5.6.1, 5.6.2, 5.6.3, 5.7.1, 5.7.2, 5.8.1, 5.8.2, 5.8.3, 5.8.4, 5.8.5, 5.8.6, 5.8.7, 5.8.8, 5.9.1, 5.9.2 (new), 5.9.3 (new), 6.17.6, 7.1.1, 7.6.1A (new), 7.6.6, 7.7.5B, 7.7.5E (new), 7.13.1, 7.13.1C (new), 9.12.1, 9.12.2, 9.14.1, 9.14.2, 9.18.3, 9.24.3A, 10.5.1(vD) (new), the Glossary and Appendix 1.	RC_2010_11 RC_2010_24 RC_2010_29

Date	Amendment	Reference
8 July 2011	IMO amended clauses 2.24.1, 2.24.2, 4.1.8, 4.1.9, 4.1.10, 4.1.12, 4.1.13, 4.1.14, 4.1.15A (new), 4.1.16, 4.1.17, 4.1.18, 4.1.20, 4.1.21, 4.1.21A (new), 4.1.26, 4.2.7, 4.4.1, 4.7.1, 4.9.5, 4.9.9, 4.9.9A (new), 4.10.1, 4.10.2, 4.10.3, 4.10.4 (new), 4.11.1, 4.11.2, 4.11.3A, 4.11.5, 4.11.10 (new), 4.11.11 (new), 4.15.1, 4.20.1, 4.20.5A (new), 4.27.10, 4.27.10A, 4.27.11, 4.27.11A, 4.27.11B, 4.27.11C, 4.27.11D, 4.28C.1, 4.28C.2, 4.29.1, 10.5.1 and the Glossary of the Market Rules.	RC_2010_14

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