

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

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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 the 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.

That is, we have looked at areas that have changed since last year's annual audit.

As in previous years, PA has found that the IMO has generally complied with its obligations under the Market Rules. We have noted 20 incidents of non-compliance of which 7 were classified as material, one of which was an incident carried from the 2010-11 audit year; we are satisfied that all non-compliances have been responded to in a way that makes their repetition unlikely. More generally, over the last three audit periods, we have noticed a continuing reduction in the number of non-compliances, and, in this last year in particular, a marked improvement in the quality of the IMO's internal procedures. Although the audit period picks up only the first few weeks of the new balancing and load following ancillary service markets, evidence to date suggests that they have been introduced without incident from an IMO compliance perspective.

Finally we note that a full audit of the IMO's operations has not been carried out since market start, all subsequent annual audits being conducted on an incremental basis. While incremental audits provide a cost-effective means for providing assurance on compliance when changes to the market are incremental in nature, they become less meaningful as time goes on and/or if major changes are introduced to the market. Having regard to the time that has elapsed since the original full audit, and the recent introduction of the new balancing and load following ancillary service markets, we recommend that the IMO give consideration to the funding of a full audit within the next three years.

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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 Audit period

The period covered by the audit is 13 August 2011 to 10 August 2012.

1.3 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 the 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. 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 20 September 2011;
3. Mapped those obligations identified in step 2 to the applicable Internal Procedures;

4. Identified IMO Internal Procedures that relate to areas of non-compliance identified in the previous market audit dated 20 September 2011;
5. Reviewed the IMO procedures identified in steps 2, 3 and 4 for compliance with the Market Rules;
6. Sought evidence that the IMO is following those procedures so as to comply with the Market Rules;
7. Had discussions with IMO managers and staff to clarify issues identified; and
8. Prepared a draft report setting out our findings (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.

1.4 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.

Note that, where useful, we have drawn a distinction between those Rule changes that are a function of the normal Rule development process and those that are associated with the introduction of the new balancing and load following ancillary service markets.

1.5 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:

- 1.10 (new).

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.

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.)

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.

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

Amended clauses	Description	Procedure updated?
• 1.10	• Minor amendment	• Not applicable

3 Market Rule Chapter 2 – Administration

Chapter 2 of the Market Rules 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

The following clauses in Chapter 2 which relate to the IMO's obligations have been amended since last year's annual audit and prior to the introduction of the new balancing and load following ancillary service markets:

- 2.18.13;
- 2.27.1, 2.27.2, 2.27.4, 2.29.1, 2.29.1A (new), 2.29.5, 2.29.5A (new), 2.29.5B (new), 2.29.5C (new), 2.29.5D (new), 2.29.5E (new), 2.29.5F (new), 2.29.5G (new), 2.29.5H (new), 2.29.5I (new), 2.29.5J (new), 2.29.5K (new), 2.29.5L (new), 2.29.5M (new), 2.29.8A, 2.29.8B, 2.29.9A, 2.29.9B, 2.29.9C, 2.30.3, 2.30.5, 2.30B.2, 2.30B.5, 2.31.23A, 2.33.1, 2.33.4, 2.35.1;
- 2.17.1, 2.31.13, 2.32.7A (new), 2.32.7B (new), 2.32.7C (new), 2.32.7D (new), 2.32.7E (new), 2.32.7F (new);
- 2.38.7;
- 2.24.1, 2.24.2A, 2.34.12, 2.8.11;
- 2.37.4;
- 2.33.1, 2.33.2, 2.33.3, 2.33.4; and
- 2.10.17 (new), 2.10.18 (new), 2.10.19 (new).

The following clauses in Chapter 2 which relate to the IMO's obligations have been amended as part of the introduction of the new balancing and load following and ancillary service markets:

- 2.1.2, 2.10.2A (new), 2.13.13A (new), 2.13.14, 2.13.6B, 2.13.6E, 2.13.6F, 2.13.6K, 2.13.9, 2.16.10, 2.16.12, 2.16.13, 2.16.2, 2.16.4, 2.16.7, 2.16.9, 2.16.9A, 2.16.9B, 2.16.9C, 2.16.9E, 2.16.9F, 2.16.9FB, 2.16.9G, 2.17.1, 2.2.1, 2.2.2, 2.23.10, 2.3.5, 2.34.1, 2.34.12, 2.34.14, 2.34.7, 2.34.7A (new), 2.34.7B (new), 2.34.7C (new), 2.36.1, 2.36.10 (new), 2.36.6, 2.36.7 (new), 2.36.8 (new), 2.36.9 (new), 2.37.4;
- 2.17.1; and
- 2.30B.1, 2.30B.2, 2.30B.5, 2.30B.6, 2.30B.6A, 2.30B.7, 2.30B.8 and 2.30B.11.

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: Procedure Administration
- Market Procedure: IMS Interface.

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: Data and IT Interface
- Market Procedure: Prudential Requirements.

Updates to Internal Procedures

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

- Internal Procedure: Tolerance Range and Facility Tolerance Ranges (reflects changes to the Market Rules made in the 2010-11 audit year);
- Internal Procedure: Annual Review of MAC Composition
- Internal Procedure: Market Procedure Change
- Internal Procedure: Rule Change Process
- Internal Procedure: MAC and Working Group Secretariat
- Internal Procedure: Registration Process for Demand Side Programmes and Non-Dispatchable Loads
- Internal Procedure: Registration Procedure
- Internal Procedure: Loss Factors Procedure
- Internal Procedure: Prudential Requirements
- Internal Procedure: Market Surveillance Procedure
- Internal Procedure: Fees
- Internal Procedure: Handling Guarantees and Bank Undertakings, and Security Deposits.

Internal procedures currently under review

The following Internal Procedures are currently under review:

- Internal Procedure: SC 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 2. (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.

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.

3.2 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.

3. Market Rule Chapter 2 – Administration. . .

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

Amended clauses	Description	Procedure updated?
<ul style="list-style-type: none"> • 2.18.13 	<ul style="list-style-type: none"> • Clause removed. 	<ul style="list-style-type: none"> • Not applicable
<ul style="list-style-type: none"> • 2.27.1, 2.27.2, 2.27.4, 2.29.1, 2.29.1A (new), 2.29.5, 2.29.5A (new), 2.29.5B (new), 2.29.5C (new), 2.29.5D (new), 2.29.5E (new), 2.29.5F (new), 2.29.5G (new), 2.29.5H (new), 2.29.5I (new), 2.29.5J (new), 2.29.5K (new), 2.29.5L (new), 2.29.5M (new), 2.29.8A, 2.29.8B, 2.29.9A, 2.29.9B, 2.29.9C, 2.30.3, 2.30.5, 2.30B.2, 2.30B.5, 2.31.23A, 2.33.1, 2.33.4, 2.35.1 	<ul style="list-style-type: none"> • Minor amendments made to the requirements for Network Operators, Market Participants and the IMO in the calculation of Loss Factors • Facility Classes are introduced • Obligations are introduced for the IMO to process applications from Market Customers wanting to associate Loads with a Demand Side Programme. 	<ul style="list-style-type: none"> • Partially <ul style="list-style-type: none"> – There are outstanding obligations that need to be incorporated into the System Capacity Registration Internal Procedure.
<ul style="list-style-type: none"> • 2.17.1, 2.31.13, 2.32.7A (new), 2.32.7B (new), 2.32.7C (new), 2.32.7D (new), 2.32.7E (new), 2.32.7F (new) 	<ul style="list-style-type: none"> • Minor amendments • Obligations are introduced that provide for the IMO to review Rule Participants' registration and to correct any registration. 	<ul style="list-style-type: none"> • Yes <ul style="list-style-type: none"> – Changes have been made to the Registration Internal Procedure.
<ul style="list-style-type: none"> • 2.38.7 	<ul style="list-style-type: none"> • 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"> – The process for maintaining the website and exercising the discretion available to the IMO needs documenting in an Internal Procedure.
<ul style="list-style-type: none"> • 2.24.1, 2.24.2A, 2.34.12, 2.8.11 	<ul style="list-style-type: none"> • Corrected minor terms 	<ul style="list-style-type: none"> • Not applicable
<ul style="list-style-type: none"> • 2.37.4; 	<ul style="list-style-type: none"> • Introduces new obligations on the IMO with respect to determining the Credit Limit for each Market Participant. 	<ul style="list-style-type: none"> • No <ul style="list-style-type: none"> – There is currently a Rule Change and associated update of the Prudential Requirements Market Procedure being progressed through the change process.
<ul style="list-style-type: none"> • 2.33.1, 2.33.2, 2.33.3, 2.33.4 	<ul style="list-style-type: none"> • Minor amendments. 	<ul style="list-style-type: none"> • Not applicable
<ul style="list-style-type: none"> • 2.10.17 (new), 2.10.18 (new), 2.10.19 (new). 	<ul style="list-style-type: none"> • Introduces obligations on the IMO with respect to 	<ul style="list-style-type: none"> • Yes

3. Market Rule Chapter 2 – Administration. . .

Amended clauses	Description	Procedure updated?
	the timeframes for processing the Procedure Timeframe Proposal.	– Market Procedure for Procedure Administration has been updated.
<ul style="list-style-type: none"> • 2.1.2, 2.10.2A (new), 2.13.13A (new), 2.13.14, 2.13.6B, 2.13.6E, 2.13.6F, 2.13.6K, 2.13.9, 2.16.10, 2.16.12, 2.16.13, 2.16.2, 2.16.4, 2.16.7, 2.16.9, 2.16.9A, 2.16.9B, 2.16.9C, 2.16.9E, 2.16.9F, 2.16.9FB, 2.16.9G, 2.17.1, 2.2.1, 2.2.2, 2.23.10, 2.3.5, 2.34.1, 2.34.12, 2.34.14, 2.34.7, 2.34.7A (new), 2.34.7B (new), 2.34.7C (new), 2.36.1, 2.36.10 (new), 2.36.6, 2.36.7 (new), 2.36.8 (new), 2.36.9 (new), 2.37.4 	<ul style="list-style-type: none"> • Places obligations on System Management and the IMO to maintain Market Rules, and behaviour of all Market Participants • Sets out information collection and analysis requirements including IMO obligations with respect to Balancing Market data • Obligations for IMO regarding the Market Surveillance Data Catalogue are updated to include Balancing Market and Load Following Services • Sets out obligations for the Economic Regulatory Authority and the IMO to monitor the market relating in particular to prices offered by generators in Balancing and LFAS Submissions. • Provides guidelines for the ERA to request the IMO to apply to the Electricity Review Board under certain events. • Sets out new obligations for the IMO regarding the notification to System Management of applications for changes in LFAS Standing Data • New obligations are introduced for the IMO and System Management regarding provision of critical information to each other and processes to use in the absence of an IMS Interface Market Procedure. 	Partially: <ul style="list-style-type: none"> • Market Procedure: Procedure Administration updated • Market Procedure: IMS Interface Procedure updated • Market Procedure: Data and IT Interface Procedure Change Proposal is awaiting commencement • New obligations relating to standing data are captured in the Registration system • The implementation of new obligations relating to market monitoring (2.16.9A) is still in progress; the IMO is looking to provide the requisite data automatically to the ERA via its data warehouse.
<ul style="list-style-type: none"> • 2.17.1 	<ul style="list-style-type: none"> • Minor amendments 	<ul style="list-style-type: none"> • Not applicable
<ul style="list-style-type: none"> • 2.30B.1, 2.30B.2, 2.30B.5, 2.30B.6, 2.30B.6A, 2.30B.7, 2.30B.8 and 2.30B.11 	<ul style="list-style-type: none"> • Minor amendments relating to Intermittent Load eligibility. Sets out conditions for Intermittent Load that the IMO must be satisfied have been met. 	<ul style="list-style-type: none"> • Not applicable

3. Market Rule Chapter 2 – Administration. . .

Table 3: Incidents of non-compliance with Chapter 2

Rule	The Issue	Material?	Comment
IMS Procedure 4.5.1 (Rule 2.36)	During a System Management outage of the file transfer protocol (FTP) system on 26 July, SM and the IMO failed to implement back up procedures to deliver data files for exchange via email, as required by the IMS Procedure. As a consequence, four Balancing Merit Orders generated between 2 and 4 pm were not delivered to System Management.	No	Back up emails were exchanged from 4.15pm onwards until the FTP outage was rectified. There was no material impact on the market.
MR 2.36.1(d)	Under MR 2.36.1(d), the IMO must ensure that any versions of the software used by the IMO have been certified as being in compliance with the Market Rules by an independent auditor. An uncertified version of the DSP refund tool was used for initial non-STEM settlement runs for the Jan-May Trading Months.	No	Non-certification does not constitute a material breach <i>per se</i> . However an error in calculation did occur as a consequence of the use of this tool (refer Chapter 5). Certification of the tool was completed in early July 2012. We understand the tool is to be systemised by October 2012.

4 Market Rule Chapter 3 – Power system security and reliability

Chapter 3 of the Market Rules 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 and prior to the introduction of the new balancing and load following ancillary service markets, there have been a series of Rule Changes affecting Chapter 3. The amended clauses are as follows:

- 3.14.1, 3.17.5;
- 3.22.2, 3.22.3;
- 3.19.12, 3.21.9; and
- 3.11.8A, 3.11.8B, 3.13.1, 3.13.3B, 3.13.3C, 3.14.3, 3.2.1, 3.21B.7.

The following clauses of Chapter 3 have been amended as part of the introduction of the Balancing Market:

- 3.11.7, 3.11.7A, 3.11.8, 3.13.1, 3.13.3, 3.13.3A, 3.13.3AB (new), 3.14.1, 3.14.2, 3.2.5, 3.21.6, 3.21A.13, 3.21A.14, 3.21AA, 3.22.1, 3.22.2, 3.22.3, 3.4.4, 3.5.7, 3.9.1.

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:

- Internal Procedure: Margin Values
- Internal Procedure: Settlement Procedure.

Internal Procedures currently under review/development

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

- Internal Procedure: Ancillary Service Requirements

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

- Internal Procedure: Processing of System Management Reports.

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 4. (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 incidents associated with the IMO's implementation of Chapter 3 of the Market Rules are set out in Table 5. It includes an incident in the 2010-11 year that was still under investigation at the time of the 2011 audit. That incident is deemed to be a material non-compliance. In addition, there are two other incidents, both of which are deemed to be non-material.

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.

We have noted one instance of material non-compliance (carried over from the 2010-11 audit year) and two instances of non-material non-compliance on the part of the IMO with respect to its obligations under Chapter 3 of the Market Rules.

Table 4: Relationship between Rule changes to Chapter 3 and IMO procedure updates

Amended clauses	Description	Procedure updated?
<ul style="list-style-type: none"> • 3.14.1, 3.17.5 	<ul style="list-style-type: none"> • Minor amendments. 	<ul style="list-style-type: none"> • Not applicable
<ul style="list-style-type: none"> • 3.22.2, 3.22.3 	<ul style="list-style-type: none"> • Introduces new obligations on System Management. 	<ul style="list-style-type: none"> • Not applicable
<ul style="list-style-type: none"> • 3.19.12, 3.21.9 	<ul style="list-style-type: none"> • Corrected minor terms. 	<ul style="list-style-type: none"> • Not applicable
<ul style="list-style-type: none"> • 3.11.8A, 3.11.8B, 3.13.1, 3.13.3B, 3.13.3C, 3.14.3, 3.2.1, 3.21B.7 	<ul style="list-style-type: none"> • Corrected minor terms. 	<ul style="list-style-type: none"> • Not applicable
<ul style="list-style-type: none"> • 3.11.7, 3.11.7A, 3.11.8, 3.13.1, 3.13.3, 3.13.3A, 3.13.3AB (new), 3.14.1, 3.14.2, 3.2.5, 3.21.6, 3.21A.13, 3.21A.14, 3.21AA, 3.22.1, 3.22.2, 3.22.3, 3.4.4, 3.5.7, 3.9.1 	<ul style="list-style-type: none"> • Makes changes to the IMO's obligations with respect to payment for ancillary services • Makes changes to the IMO's obligations with respect to the provision of settlement data to the settlement system. • Makes changes with respect to various other obligations of the IMO and System Management. • Minor amendments. 	<ul style="list-style-type: none"> • Partially <ul style="list-style-type: none"> – Changes to the payments for ancillary services have been incorporated into the settlements calculations – Further changes are required to the Internal Procedure: Ancillary Services Requirements to bring it into line with the latest Power System Operations Procedure – Further changes are required to the Internal Procedure: Processing of System Management Reports to reflect changes to the Equipment Lists following the introduction of the new Balancing and Load Following Ancillary Services markets.

Table 5: Incidents of non-compliance with Chapter 3

Rule	The Issue	Material?	Comment
MR 3.22.1(e) and (f).	IMO must provide inter alia Capacity_R_Peak and Capacity_R_Off-Peak values to the Settlement System for each trading month. The IMO failed to provide "new and current" Capacity_R_Peak and Capacity_R_Off-Peak information to the Settlement	Yes	This breach occurred in the 2010-11 audit year, but was still under investigation by the IMO at the time the 2011 audit was

Rule	The Issue	Material?	Comment
	System for each Trading Month from July 2010 to June 2011.		completed. The impact on the availability payments made to Verve Energy for the provision of Load Following and Spinning Reserve was material. We note new values for Capacity_R_Peak and Capacity_R_Off-Peak were provided for the year commencing July 2011. We note further that the introduction of MR 3.13.3.AB means that this particular non-compliance will not be repeated.
MR 3.18.18	MR 3.18.18 states that the IMO, in conjunction with System Management, must undertake a review of the outage planning process against the Wholesale Market Objectives at least once in every five year period starting from Energy Market commencement. The IMO did not complete the outage planning review by 21 September 2011 (5 years from energy market commencement).	No	A final report on the review was published in mid-October.
MR 3.21.6(e)	MR 3.21.6(e) imposes a requirement on the IMO to provide “current” Reserve Capacity Obligation Quantity (RCOQ) values for all Facilities to System Management. In practice, it is impossible for the IMO to comply with this clause as it does not receive all the information it needs to determine the RCOQ System Management for some Facilities (notably Demand Side Programs) until well after the relevant Trading Day.	No	The IMO provides System Management with necessary information as required and as soon as it is able. A Rule Change has been negotiated with System Management, and a draft Rule Change will be advanced to bring the Rules in line with what is practically possible.

5 Market Rule Chapter 4 – Reserve capacity

Chapter 4 of the Market Rules 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 and prior to the introduction of the new balancing and load following ancillary service markets, the following amendments have been made to Chapter 4:

- 4.1.21, 4.1.27, 4.10.3, 4.11.2A (new), 4.11.3B (new), 4.13.1, 4.13.10, 4.13.10A, 4.13.10B (new), 4.13.10C (new), 4.13.3, 4.13.11, 4.13.11A (new), 4.13.11B, 4.13.12, 4.13.13 (new), 4.13.14 (new), 4.13.1A (new), 4.13.1B (new), 4.13.1C (new), 4.13.2, 4.13.2A (new), 4.13.2B (new), 4.13.2C (new), 4.13.5, 4.13.8, 4.20.1, 4.25.1, 4.25.2, 4.25.3B, 4.25.4B, 4.26.1, 4.26.1A, 4.28.4, 4.28C.12, 4.28C.12A (new), 4.28C.8, 4.28C.8A (new), 4.9.9;
- 4.1.11;
- 4.26.1, 4.26.1A;
- 4.10.1, 4.10.3, 4.10.3A (new), 4.11.2, 4.11.2A (new), 4.11.3A, 4.11.3B (new), 4.11.3C (new), 4.11.3D (new), 4.11.3E (new);
- 4.10.1, 4.11.1, 4.11.4, 4.11.4A, 4.12.1, 4.12.4, 4.12.8, 4.14.1, 4.18.1, 4.18.2, 4.25.1, 4.25.10, 4.25.2, 4.25.3B, 4.25.4, 4.25.4E, 4.25.4F, 4.25.9, 4.25A, 4.25A.1, 4.25A.2, 4.25A.3, 4.25A.4, 4.25A.5, 4.26.1, 4.26.1A, 4.26.1B, 4.26.1C, 4.26.2, 4.26.2C, 4.26.2CA (new), 4.26.2D, 4.26.2E, 4.26.2F, 4.26.3, 4.26.3A, 4.26.4, 4.8.3;
- 4.1.13, 4.1.18, 4.10.1, 4.25.4F, 4.5.9;
- 4.26.2, 4.26.2B, 4.26.5;
- 4.12.4, 4.12.8, 4.26.2D;
- 4.25.2, 4.28.5;
- 4.16.3; and
- 4.5.12.

The following clauses of Chapter 4 have been amended as part of the introduction of the new balancing and load following ancillary service market:

- 4.1.21B (new), 4.12.6, 4.13.1B (new), 4.20.10 (new), 4.20.11 (new), 4.20.12 (new), 4.20.13 (new), 4.20.14 (new), 4.20.8 (new), 4.20.9 (new); and
- 4.8.3; 4.10.1, 4.11.1, 4.11.10 (new), 4.11.11, 4.11.12, 4.11.2, 4.11.3B (new), 4.11.4, 4.11.7, 4.12.1, 4.12.4, 4.12.8, 4.14.4, 4.14.5, 4.23A.1, 4.23A.2, 4.25.10, 4.25.11, 4.25.12, 4.25.14, 4.25.3, 4.25.3A, 4.25.3B, 4.25.4, 4.25.7, 4.25.8, 4.25.9, 4.26.2, 4.26.2D.

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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: Maximum Reserve Capacity Price Procedure
- Market Procedure: Reserve Capacity Security
- Reserve Capacity Procedure: Reserve Capacity Testing
- Reserve Capacity Procedure: Supplementary Reserve Capacity.

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:

- Reserve Capacity Procedure: Certification of Reserve Capacity.

Updates to Internal Procedures

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

- Internal Procedure: Determination of Maximum Reserve Capacity Price
- Internal Procedure: Statement of Opportunities Report (SOO)
- Internal Procedure: Reserve Capacity Information Pack
- Internal Procedure: Calling and Processing Expressions of Interest for New Capacity
- Internal Procedure: Supplementary Reserve Capacity
- Internal Procedure: Applications for the Accreditation for the Purposes of Certification of Reserve Capacity for Intermittent Generators
- Internal Procedure: Bilateral Trade Declarations
- Internal Procedure: Capacity Credits and Obligations
- Internal Procedure: Determination of Individual Reserve Capacity Requirement
- Internal Procedure: Performance Monitoring
- Internal Procedure: Reserve Capacity Testing
- Internal Procedure: Progress Reports for Construction of New Capacity
- Internal Procedure: Reduction of Capacity Credits Assigned to a Facility
- Internal Procedure: Monthly Operations Procedure
- Internal Procedure: Settlement Procedure
- Internal Procedure: Handling Guarantees and Bank Undertakings, and Security Deposits.

Internal Procedures currently under review

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

- Internal Procedure: Forecasting (LT PASA)
- Internal Procedure: Certification of Facilities
- Internal Procedure: Assignment of Capacity Credits.

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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 6. (Note, not all Rule changes require a consequential amendment to written procedures.)

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 7. There were eight breaches to this section of the Rules, three of which are deemed to be material. 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.

There have been three material non-compliances on the part of the IMO with respect to its obligations under Chapter 4 of the Market Rules.

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Table 6: Relationship between Rule changes to Chapter 4 and IMO procedure updates

Amended clauses	Description	Procedure updated?
<ul style="list-style-type: none"> 4.1.21, 4.1.27, 4.10.3, 4.11.2A (new), 4.11.3B (new), 4.13.1, 4.13.10, 4.13.10A, 4.13.10B (new), 4.13.10C (new), 4.13.3, 4.13.11, 4.13.11A (new), 4.13.11B, 4.13.12, 4.13.13 (new), 4.13.14 (new), 4.13.1A (new), 4.13.1B (new), 4.13.1C (new), 4.13.2, 4.13.2A (new), 4.13.2B (new), 4.13.2C (new), 4.13.5, 4.13.8, 4.20.1, 4.25.1, 4.25.2, 4.25.3B, 4.25.4B, 4.26.1, 4.26.1A, 4.28.4, 4.28C.12, 4.28C.12A (new), 4.28C.8, 4.28C.8A (new), 4.9.9; 	<ul style="list-style-type: none"> Makes changes with respect to the operation of the Reserve Capacity Security instrument Makes changes to the calculation of the total number of Capacity Credits provided by a Market Participant's facilities Makes changes to the provisions relating to Reserve Capacity Testing Makes changes with respect to the Reserve Capacity Deficit Refund. 	<ul style="list-style-type: none"> Yes <ul style="list-style-type: none"> Market Procedure Reserve Capacity Security updated Reserve Capacity Procedure: Reserve Capacity Testing updated Internal Procedure: Capacity Credits and Obligations updated Internal Procedure: Reserve Capacity Testing updated.
<ul style="list-style-type: none"> 4.1.11 	<ul style="list-style-type: none"> Minor amendment to relevant dates. 	<ul style="list-style-type: none"> No <ul style="list-style-type: none"> Reserve Capacity Procedure: Certification of Reserve Capacity is subject to a Procedure Change proposal Consequential amendments will need to be cascaded down to Internal Procedures.
<ul style="list-style-type: none"> 4.26.1, 4.26.1A 	<ul style="list-style-type: none"> Amendments to the calculation of Capacity Credit Refunds. 	<ul style="list-style-type: none"> Partially <ul style="list-style-type: none"> A new calculation and accompanying internal process has been developed, but is not formalised within an internal procedure. We note this process will be systemised within the settlement system by the end

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Amended clauses	Description	Procedure updated?
<ul style="list-style-type: none"> 4.10.1, 4.10.3, 4.10.3A (new), 4.11.2, 4.11.2A (new), 4.11.3A, 4.11.3B (new), 4.11.3C (new), 4.11.3D (new), 4.11.3E (new) 	<ul style="list-style-type: none"> Obligations for Market Participants are added relating to the certification of Reserve Capacity, the grounds on which the IMO can reject applications for certification, and Sets out obligations for the IMO to conduct a periodic review of the Relevant Level Methodology. 	<p>of 2012.</p> <ul style="list-style-type: none"> No <ul style="list-style-type: none"> Reserve Capacity Procedure: Certification of Reserve Capacity is subject to a Procedure Change proposal Consequential amendments will need to be cascaded down to Internal Procedures.
<ul style="list-style-type: none"> 4.8.3, 4.10.1, 4.11.1, 4.11.4, 4.11.4A, 4.12.1, 4.12.4, 4.12.8, 4.14.1, 4.18.1, 4.18.2, 4.25.1, 4.25.10, 4.25.2, 4.25.3B, 4.25.4, 4.25.4E, 4.25.4F, 4.25.9, 4.25A, 4.25A.1, 4.25A.2, 4.25A.3, 4.25A.4, 4.25A.5, 4.26.1, 4.26.1A, 4.26.1B, 4.26.1C, 4.26.2, 4.26.2C, 4.26.2CA (new), 4.26.2D, 4.26.2E, 4.26.2F, 4.26.3, 4.26.3A, 4.26.4, 4.8.3 	<ul style="list-style-type: none"> Makes amendments with respect to the introduction of Demand Side Programmes. 	<ul style="list-style-type: none"> Partially <ul style="list-style-type: none"> Market Procedure: Reserve Capacity Security has been updated Reserve Capacity Procedure: Reserve Capacity Testing has been updated Reserve Capacity Procedure: Certification of Reserve Capacity is subject to a Procedure Change proposal Market Procedure for: Declaration of Bilateral Trades and the Reserve Capacity Auction is about to be submitted into the Procedure Change process Consequential amendments are being cascaded down to Internal Procedures.
<ul style="list-style-type: none"> 4.1.13, 4.1.18, 4.10.1, 4.25.4F, 4.5.9 	<ul style="list-style-type: none"> Minor amendments 	<ul style="list-style-type: none"> Not applicable

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Amended clauses	Description	Procedure updated?
<ul style="list-style-type: none"> • 4.26.2, 4.26.2B, 4.26.5 	<ul style="list-style-type: none"> • Amendments made to the calculation of the Net Stem Shortfall, including the introduction of new terms. 	<ul style="list-style-type: none"> • Not applicable <ul style="list-style-type: none"> – The changes have been systemised in the settlement system; they are not covered in internal or market procedures.
<ul style="list-style-type: none"> • 4.12.4, 4.12.8, 4.26.2D; 	<ul style="list-style-type: none"> • Minor amendments. 	<ul style="list-style-type: none"> • Not applicable
<ul style="list-style-type: none"> • 4.25.2, 4.28.5 	<ul style="list-style-type: none"> • Minor amendment. 	<ul style="list-style-type: none"> • Not applicable
<ul style="list-style-type: none"> • 4.16.3 	<ul style="list-style-type: none"> • Minor amendment. 	<ul style="list-style-type: none"> • Not applicable
<ul style="list-style-type: none"> • 4.5.12 and Appendix 3 	<ul style="list-style-type: none"> • Amendments made to the requirements relating to the Availability Curve. 	<ul style="list-style-type: none"> • Partially <ul style="list-style-type: none"> – Internal Procedure: Reserve Capacity Information Pack has been updated – Review of Internal Procedure: Forecasting (LT PASA) underway – The Market Procedure entitled Reserve Capacity Procedure: Undertaking the LT PASA and conducting a review of the Planning Criterion will be updated following the current review.
<ul style="list-style-type: none"> • 4.1.21B (new), 4.12.6, 4.13.1B, 4.20.8 (new), 4.20.9 (new), 4.20.10 (new), 4.20.11 (new), 4.20.12 (new), 4.20.13 (new), 4.20.14 (new) 	<ul style="list-style-type: none"> • Introduces new obligations on the IMO with respect to cancellation of capacity credits. 	<ul style="list-style-type: none"> • No <ul style="list-style-type: none"> – Requires an update to the Internal Procedure: Reduction of Capacity Credits Assigned to a Facility.
<ul style="list-style-type: none"> • 4.11.1, 4.11.2, 4.11.3B, 4.11.4, 4.11.7, 	<ul style="list-style-type: none"> • Minor amendments. 	<ul style="list-style-type: none"> • No

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Amended clauses	Description	Procedure updated?
4.11.10, 4.11.11, 4.11.12, 4.12.1, 4.12.4, 4.12.8, 4.14.4, 4.14.5, 4.23A.1, 4.23A.2, 4.25.3, 4.25.3A, 4.25.3B, 4.25.4, 4.25.7, 4.25.8, 4.25.9, 4.25.10, 4.25.11, 4.25.12, 4.25.14, 4.26.2, 4.26.2D		<ul style="list-style-type: none"> – Reserve Capacity Procedure: Certification of Reserve Capacity is subject to a Procedure Change proposal – Consequential amendments will need to be cascaded down to Internal Procedures

Table 7: Incidents of non-compliance with Chapter 4

Rule	The Issue	Material?	Comment
MR 4.26.2C(a)	MR 4.26.2C(a) requires the IMO to calculate the 32 peak demand intervals for use in Relevant Demand calculations. When this was calculated in May 2011, the IMO found the four peak demand days over the hot season and then identified the highest eight consecutive demand intervals on those days (instead of finding the eight consecutive trading interval peak demand days for each month of the hot season). As a consequence, eight of the 32 intervals were wrongly identified.	No	The error had no material impact. The pending systemisation of this calculation will reduce the likelihood of similar errors in the future.
MR 4.26.1A	Under MR 4.26.1A, the IMO is required to calculate a Facility Reserve Capacity Deficit Refund for new facilities. The IMO failed to do this for the period 30 November 2011 to May 2012 for a new plant. As a consequence the new plant was not required to pay applicable refunds for this facility for that period.	Yes	Refunds owing have been fully recovered through subsequent adjustments. A system change required to remedy this type of error has been developed, tested, and in production since June 2012.
MR 4.26.1	Pursuant to rule change RC_2010_22 (effective 1 October 2011) a facility must generate at its required level in at least two Trading Intervals. The Settlements system did not pick up this obligation correctly and as a result Capacity Credit refunds were incorrectly calculated. We understand the value of the error was approximately \$28,000 over the period October 2011 to May 2012.	Yes	We understand all monies owing are being recovered through adjustments. A system change has been developed and is in the final stages of testing prior to certification. Note this breach arose from the same circumstances (Rule change) as the preceding breach, but related to a

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

Rule	The Issue	Material?	Comment
			different participant and was identified at a later time.
MR 4.27.11B	Under MR 4.27.11B, the IMO must consult with System Management with respect to progress reports from Market Participants holding Capacity Credits for facilities yet to commence operations. The IMO consulted with System Management only when either the "commissioning date" or "date to meet in full" changed from a previous report.	No	The Internal Procedure: Reserve Capacity Testing has been updated to capture this obligation.
Market Procedure for: Individual Reserve Capacity Requirements (MR 4.28.12)	Under Step 1.5 of the MP, the IMO is to send a reminder to Market Participants 15 Business Days before the Business Day on or before 20 August, to provide information for IRCR determination. The obligation was not identified, and thus not acted upon.	No	An email reminder was sent out as soon as the breach was discovered.
MR 4.1.12	MR 4.1.12 requires the IMO to notify each applicant for certification of Reserve Capacity of the Certified Reserve Capacity to be assigned by the Business Day on or before 19 August of Year 1 of the Reserve Capacity Cycle. An error was made in the calculation of Certified Reserve Capacity for five Intermittent Generators. Upon identifying the error, the IMO recalculated the Certified Reserve Capacity for the affected facilities and re-issued the notification of Certified Reserve Capacity, but after the deadline specified in MR4.1.12.	No	The tool that gave rise to the error has now been replaced. There are now additional checks in place to assure accuracy with the replacement tool.
MR 4.1.28(b)	On the 24th of October 2011, the IMO failed to publish updated IRCRs by 5pm 5 days before start of the Trading Month to which they are to apply.	No	The IMO neglected to account for the Labour Day public holiday which resulted in the IRCR values being published on the 25th rather than the 24th of October. There was no operational impact.
MR 4.26.1A	Pursuant to MR 4.26.1A, the IMO must calculate the Reserve Capacity Deficit refund for each facility for each trading month. The IMO did not calculate the refunds for one of its DSM facilities for the month of January 2012. An incorrect refund calculation resulted. The net effect was a delay in the collection of approximately \$600,000 revenue by 3 months.	Yes	Refunds are to be automated as part of DSP system changes scheduled for later in 2012. This should prevent similar reoccurrences.

6 Market Rule Chapter 5 – Network control service procurement

Chapter 5 sets out the Network Control Service Procurement Rules. Responsibility for the procurement of network control services rests with 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 and prior to the introduction of the new balancing and load following ancillary service market:

- 5.1.1.

The following clauses of Chapter 5 have been amended as part of the introduction of the new balancing and load following ancillary service market:

- 5.7.4, 5.9.3.

None of the amendments have any implications for the operations of the IMO.

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

Chapter 6 of the Market Rules sets out the rules for the Energy Market, 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 and prior to the introduction of the new balancing and load following ancillary service market:

- 6.17.6;
- 6.11.1;
- 6.3A.2, 6.5A.1, 6.11.1, 6.11.2, 6.11A.1, 6.12.1, 6.15.2, 6.16.1, 6.16.2 (new), 6.17.6;
- 6.3B.1B, 6.6.3A, 6.14.4; and
- 6.5C.6, 6.18.2.

The following clauses of Chapter 6 have been amended since the introduction of the new balancing and load following ancillary service market:

- 6.2.4C, 6.3A.1, 6.3A.2, 6.4.6, 6.5.1, 6.5.1A, 6.5.1C, 6.5.4, 6.5A, 6.5C.1 (new), 6.5C.1A, 6.5C.2, 6.5C.7, 6.9.4, 6.11.1, 6.11.2, 6.11.3 (new), 6.11A, 6.12, 6.14, 6.15, 6.16.1A, 6.16.2, 6.16A (new), 6.16B (new), 6.17, 6.18, 6.19.1, 6.20.4, 6.20.6, 6.21.2; and
- 6.17.3A, 6.17.4A.

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:

- None.

Updates to Internal Procedures

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

- Internal Procedure: Energy Price Limits
- Internal Procedure: Monthly Operations Procedure
- Internal Procedure: Daily Operations Procedure
- Internal Procedure: Operations Contingency Procedure

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- Internal Procedure: Settlement Procedure.

Internal Procedures currently under review

The following Internal Procedures are currently under review:

- 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 8. (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

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

7.2 Compliance with Chapter 6 of the Market Rules

Incidents associated with the IMO implementation are set out in Table 9 below.

There have been four breaches to this section of the Rules, one of which is deemed to be material. All have actions associated with them designed to remedy the breach.

7.3 Opinion

PA has reviewed the updated documentation and found the IMO's procedures to be compliant with the Market Rules.

There has been one material non-compliance on the part of the IMO with respect to its obligations under Chapter 6 of the Market Rules.

7. Market Rule Chapter 6 – Energy market. . .

Table 8: Relationship between Rule changes to Chapter 6 and IMO procedure updates

Amended clauses	Description	Procedure updated?
<ul style="list-style-type: none"> • 6.17.6 	<ul style="list-style-type: none"> • Minor amendment. 	<ul style="list-style-type: none"> • Not applicable
<ul style="list-style-type: none"> • 6.11.1 	<ul style="list-style-type: none"> • Minor amendment. 	<ul style="list-style-type: none"> • Not applicable
<ul style="list-style-type: none"> • 6.3A.2, 6.5A.1, 6.11.1, 6.11.2, 6.11A.1, 6.12.1, 6.15.2, 6.16.1, 6.16.2 (new), 6.17.6 	<ul style="list-style-type: none"> • Minor amendment. 	<ul style="list-style-type: none"> • Not applicable
<ul style="list-style-type: none"> • 6.3B.1B, 6.6.3A, 6.14.4 	<ul style="list-style-type: none"> • Minor amendment. 	<ul style="list-style-type: none"> • Not applicable
<ul style="list-style-type: none"> • 6.5C.6, 6.18.2 	<ul style="list-style-type: none"> • Minor amendment. 	<ul style="list-style-type: none"> • Not applicable
<ul style="list-style-type: none"> • 6.2.4C, 6.3A.1, 6.3A.2, 6.4.6, 6.5.1, 6.5.1A, 6.5.1C, 6.5.4, 6.5A, 6.5C.1 (new), 6.5C.1A, 6.5C.2, 6.5C.7, 6.9.4, 6.11.1, 6.11.2, 6.11.3 (new), 6.11A, 6.12, 6.14, 6.15, 6.16.1A, 6.16.2, 6.16A (new), 6.16B (new), 6.17, 6.18, 6.19.1, 6.20.4, 6.20.6, 6.21.2) 	<ul style="list-style-type: none"> • Minor amendments • Makes amendments to provisions relating to Resource Plans, Balancing processes and Energy Market processes consequential to the introduction of the new Balancing Market. 	<ul style="list-style-type: none"> • Yes: <ul style="list-style-type: none"> – Most changes do not have any impact on Procedures – The Energy Price Limits Internal Procedure has been updated to reflect the change to Clause 6.20.6 – The Daily Operations and Operations Contingency Internal Procedures have been updated to incorporate the change to Clause 6.4.6.
<ul style="list-style-type: none"> • 6.17.3A, 6.17.4A 	<ul style="list-style-type: none"> • Defines constrained on and constrained off quantities and prices that the IMO must attribute scheduled and non-scheduled generators. 	<ul style="list-style-type: none"> • Not applicable <ul style="list-style-type: none"> – Changes made within the settlement system – No procedure change required.

7. Market Rule Chapter 6 – Energy market. . .

Table 9: Incidents of non-compliance with Chapter 6

Rule	The Issue	Material?	Comment
MR 6.20.3(b)ii -	The IMO failed to update the annual CPI component in its calculation of the Alternative Max STEM Price (AMSP), which led to the AMSP for the month of September being published as being \$522 when it should have been \$525. This prevented participants from submitting price quantity pairs up to this value and entering this information into registration for dispatch purposes.	No	As no dispatch instructions were issued for any facilities priced at the cap of \$522, there was no impact. We understand that the CPI requirement is to be updated in the Monthly Operations Procedure, so as to mitigate the chances of any further breaches.
MR 6.17.4	Further to MR 6.17.4, the IMO must calculate a Downward Unauthorised Deviation Quantity for Market Participants. For the Non-STEM initial settlement statements for November 2011 the quantities were imported incorrectly into the settlements system which led to some downwards deviation quantities for certain participants being incorrect. The result was that the initial November 2011 Non-STEM Settlements statements were incorrect and three participants were over-charged a total of approximately \$30,000.	Yes	This was reversed in the first adjustment of the November trading month (April 2012). We understand the settlements calculation error existed because the IMO was operating off the backup site which did not have the latest version of the settlements import software installed. Steps have been taken to ensure future requests for release to production include instructions to release to the back-up site.
MR 6.5.2 read with 6.11.2(bA)	The IMO approved a Resource Plan for a Market Participant for 23 March 2012. The Market Participant's Facility was to undertake a commissioning test on that day; the IMO is not permitted to approve a Resource Plan for a Facility if it is undergoing testing.	No	Administrative error, resulting from interface between IMO and SM systems. The amounts generated by the Market Participant were small; there were no operational implications for the market generally.

7. Market Rule Chapter 6 – Energy market. . .

<p>MR 6.3A.3 (a)</p>	<p>Further to MR 6.3A.3(a), the IMO must publish to each Market Participant the total quantity of Capacity Credits held by that Market Participant for the Trading Day. The IMO has published incorrect capacity credit information for all participants with Demand Side Programmes since 1/10/2011. This prevented participants submitting price quantity pairs up to this value and prevented participants entering this information into registration for dispatch purposes.</p>	<p>No</p>	<p>We understand that the Progress Reports Internal Procedure has been updated to address this issue.</p>
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8 Market Rule Chapter 7 – Dispatch

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 and prior to the introduction of the new balancing and load following ancillary service market:

- 7.7.5D;
- 7.13.1, 7.13.1C, 7.7.5A, 7.7.5B, 7.7.5C, 7.7.5D, 7.7.5E, 7.7.9;
- 7.1.1, 7.10.4, 7.13.1, 7.2.2, 7.6.10, 7.7.10, 7.7.3, 7.7.4, 7.7.4A;
- 7.6.3;
- 7.6A.5;
- 7.6.10;
- 7A.1.16 (new), 7A.1.2 (new); and
- 7.2.3B, 7.6.2, 7.6A.5.

The following clauses of Chapter 7 have been amended since the introduction of the new balancing and load following ancillary service market:

- 7.1.1, 7.10.1, 7.10.2, 7.10.3, 7.10.3A, 7.10.5, 7.10.5A, 7.10.5B, 7.10.6A, 7.10.7, 7.11.1, 7.11.5, 7.11.6, 7.11.6A (new), 7.11.6B, 7.11.7, 7.12.1, 7.13.1, 7.13.1A, 7.13.1B, 7.13.1C, 7.13.4 (new), 7.2.1, 7.2.3, 7.2.3A, 7.2.3B, 7.2.3C, 7.2.3D, 7.3.1, 7.3.2, 7.3.4, 7.5.1, 7.5.2, 7.5.3, 7.5.4, 7.5.7, 7.6.1, 7.6.10, 7.6.11, 7.6.12, 7.6.13, 7.6.1A, 7.6.1B (new), 7.6.1C (new), 7.6.1D (new), 7.6.2, 7.6.2A, 7.6.2B (new), 7.6.3, 7.6.4, 7.6.5, 7.6.5A, 7.6.6, 7.6.7, 7.6.8, 7.6.9, 7.6A.1, 7.6A.2, 7.6A.3, 7.6A.4, 7.6A.5, 7.6A.6, 7.6A.7, 7.6A.8, 7.7.1, 7.7.10, 7.7.2, 7.7.3, 7.7.3A, 7.7.4, 7.7.4A, 7.7.5, 7.7.5A, 7.7.5B, 7.7.5C (new), 7.7.5D (new), 7.7.6, 7.7.6A (new), 7.7.6B (new), 7.7.7, 7.7.7A, 7.7.8, 7.7.9, 7.8.1, 7.8.2, 7.9.1, 7.9.1A, 7.9.2, 7.9.4, 7.9.5, 7.9.6, 7.9.6A, 7.9.8, 7.10.1, 7.10.2, 7.10.3, 7.10.3A, 7.10.5, 7.10.5A, 7.10.5B, 7.10.6A, 7.10.7, 7.11.1, 7.11.5, 7.11.6, 7.11.6A (new), 7.11.6B, 7.11.7
- 7.12.1, 7.13.1, 7.13.1A, 7.13.1B, 7.13.1C, 7.13.4 (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

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

- Internal Procedure: Daily Operations Procedure

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 10. (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.

8. Market Rule Chapter 7 – Dispatch. . .

Table 10: Relationship between Rule changes to Chapter 7 and IMO procedure updates

Amended clauses	Description	Procedure updated?
<ul style="list-style-type: none"> • 7.7.5D 	<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, 7.2.2, 7.6.10, 7.7.3, 7.7.4, 7.7.4A, 7.7.10, 7.10.4, 7.13.1 	<ul style="list-style-type: none"> • Minor consequential amendments. 	<ul style="list-style-type: none"> • Not applicable
<ul style="list-style-type: none"> • 7.6A.5 	<ul style="list-style-type: none"> • Minor consequential amendment. 	<ul style="list-style-type: none"> • Not applicable
<ul style="list-style-type: none"> • 7.6.3 	<ul style="list-style-type: none"> • Minor consequential amendment. 	<ul style="list-style-type: none"> • Not applicable
<ul style="list-style-type: none"> • 7.6.10 	<ul style="list-style-type: none"> • Minor consequential amendment. 	<ul style="list-style-type: none"> • Not applicable
<ul style="list-style-type: none"> • 7.7.5A, 7.7.5B, 7.7.5C, 7.7.5D, 7.7.5E, 7.7.9, 7.13.1, 7.13.1C 	<ul style="list-style-type: none"> • Amends System Management's obligations. 	<ul style="list-style-type: none"> • Not applicable
<ul style="list-style-type: none"> • 7.2.3B, 7.6.2, 7.6A.5 	<ul style="list-style-type: none"> • Minor corrections. 	<ul style="list-style-type: none"> • Not applicable
<ul style="list-style-type: none"> • 7.1.1, 7.2.1, 7.2.3, 7.2.3A, 7.2.3B, 7.2.3C, 7.2.3D, 7.3.1, 7.3.2, 7.3.4, 7.5.1, 7.5.2, 7.5.3, 7.5.4, 7.5.7, 7.6.1, 7.6.1A, 7.6.1B (new), 7.6.1C (new), 7.6.1D (new), 7.6.2, 7.6.2A, 7.6.2B (new), 7.6.3, 7.6.4, 7.6.5, 7.6.5A, 7.6.6, 7.6.7, 7.6.8, 7.6.9, 7.6.10, 7.6.11, 7.6.12, 7.6.13, 7.6A.1, 7.6A.2, 7.6A.3, 7.6A.4, 7.6A.5, 7.6A.6, 7.6A.7, 7.6A.8, 7.7.1, 7.7.2, 7.7.3, 7.7.3A, 7.7.4, 7.7.4A, 7.7.5, 7.7.5A, 7.7.5B, 7.7.5C (new), 7.7.5D (new), 7.7.6, 7.7.6A (new), 7.7.6B (new), 7.7.7, 7.7.7A, 7.7.8, 7.7.9, 7.7.10, 7.8.1, 7.8.2, 7.9.1, 7.9.1A, 7.9.2, 7.9.4, 7.9.5, 7.9.6, 7.9.6A, 7.9.8, 7.10.1, 7.10.2, 7.10.3, 7.10.3A, 7.10.5, 7.10.5A, 7.10.5B, 7.10.6A, 7.10.7, 7.11.1, 7.11.5, 7.11.6, 7.11.6A (new), 7.11.6B, 7.11.7 	<ul style="list-style-type: none"> • Amends System Management's obligations with respect to dispatch, and refines associated IMO obligations. 	<ul style="list-style-type: none"> • Not applicable
<ul style="list-style-type: none"> • 7.12.1, 7.13.1, 7.13.1A, 7.13.1B, 7.13.1C, 7.13.4 (new) 	<ul style="list-style-type: none"> • Updates System Management's obligations with respect to settlement and monitoring data. 	<ul style="list-style-type: none"> • Not applicable

9 Market Rule Chapter 7A – Balancing Market

Chapter 7A sets out the Rules for the new Balancing Market. It introduces new obligations for 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 introduced since last year's annual audit as part of the new Balancing Market:

- Chapter 7A (new)
- 7A.1.16 (new), 7A.1.2 (new).

9.1.2 Procedures

Updates to Market Procedures

The following Market Procedures relating to Chapter 7A of the Market Rules have been introduced:

- Market Procedure for Balancing Market Requirements Procedure
- Market Procedure for Balancing Market Forecast.

Market Procedures currently in the process of being amended

The following Market Procedures relating to Chapter 7A of the Market Rules are under review or are in the process of being amended:

- None.

Updates to Internal Procedures

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

- Daily Operations Procedure.

Internal Procedures currently under review

The following Internal Procedures are currently under review:

- None.

Relationship between Rule updates and procedures

The extent to which the new Rules have been reflected in updates to the IMO's processes and procedures is set out in Table 11. (Note, not all Rule changes require a consequential amendment to written procedures.)

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

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

9.2 Compliance with Chapter 7A

There have been no breaches recorded with respect to the IMO's obligations pursuant to Chapter 7A of the Market Rules.

9.3 Opinion

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

As far as we have been able to determine, the IMO has been compliant with respect to its obligations under Chapter 7A of the Market Rules.

Table 11: Relationship between Rule changes to Chapter 7A and IMO procedure updates

Amended clauses	Description	Procedure updated?
<ul style="list-style-type: none"> • 7A.1 	<ul style="list-style-type: none"> • Establishes the Balancing Market and sets out key obligations for the IMO as well as Market Participants and System Management. 	<ul style="list-style-type: none"> • Yes <ul style="list-style-type: none"> – Market Procedure for Balancing Facility Requirements Procedure created.
<ul style="list-style-type: none"> • 7A.2 	<ul style="list-style-type: none"> • Prescribes requirements with respect to Balancing Submissions. 	<ul style="list-style-type: none"> • Partially <ul style="list-style-type: none"> – Further changes required to pick up obligations relating to distribution of civil penalties – Clause 7A.2.18 is not documented within the IMO's procedures.
<ul style="list-style-type: none"> • 7A.3 	<ul style="list-style-type: none"> • Sets out obligations with respect to the Balancing Merit Order and associated pricing. 	<ul style="list-style-type: none"> • Not applicable: <ul style="list-style-type: none"> – Obligations are automated by software.
<ul style="list-style-type: none"> • 7A.4 	<ul style="list-style-type: none"> • Sets out provisions relating to the establishment of Verve Energy plant as – Stand Alone Facilities. 	<ul style="list-style-type: none"> • Not applicable at present as there are currently no Stand Alone Facilities • However, this section will be incorporated into the Registration Internal Procedure.
<ul style="list-style-type: none"> • 7A.1.16 (new), 7A.1.2 (new) 	<ul style="list-style-type: none"> • New obligation for the IMO to set the Balancing Market Commencement Day and the Balancing Gate Closure. 	<ul style="list-style-type: none"> • Not applicable

10 Market Rule Chapter 7B – Load Following Ancillary Service Market

Chapter 7B sets out the Load Following Service Market Rules. It introduces new obligations for 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 introduced since last year's annual audit as part of the new Load Following Ancillary Service Market:

- Chapter 7B (new).

10.1.2 Procedures

Updates to Market Procedures

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

- None.

Market Procedures currently in the process of being amended

The following Market Procedures relating to Chapter 7B of the Market Rules are under review or are in the process of being amended:

- None

Updates to Internal Procedures

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

- None

Internal Procedures currently under review

The following Internal Procedures are currently under review:.

- 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 12. (Note, not all Rule changes require a consequential amendment to written procedures.)

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

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

10. Market Rule Chapter 7B – Load Following Ancillary Service Market. . .

10.2 Compliance with Chapter 7B

There have been no breaches recorded with respect to the IMO's obligations pursuant to Chapter 7B of the Market Rules.

10.3 Opinion

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

As far as we have been able to determine, the IMO has been compliant with respect to its obligations under Chapter 7B of the Market Rules.

Table 12: Relationship between Rule changes to Chapter 7B and IMO procedure updates

Amended clauses	Description	Procedure updated?
<ul style="list-style-type: none"> • 7B.1 	<ul style="list-style-type: none"> • Establishes the LFAS and sets out key obligations for the IMO as well as Market Participants and System Management. 	<ul style="list-style-type: none"> • Not applicable.
<ul style="list-style-type: none"> • 7B.2 	<ul style="list-style-type: none"> • Sets out requirements and obligations relating to Market Participants and Verve Energy with respect to LFAS Submissions. 	<ul style="list-style-type: none"> • Partially: <ul style="list-style-type: none"> – Most obligations do not require a procedure – However, clause 7B.2.16 (a Compliance requirement) is undocumented.
<ul style="list-style-type: none"> • 7B.3 	<ul style="list-style-type: none"> • Sets out the obligations of the IMO (and System Management with respect to functions associated with the LFAS Merit Order including in particular the LFAS Price and the Forecast LFAS Merit Order. 	<ul style="list-style-type: none"> • Not applicable
<ul style="list-style-type: none"> • 7B.4 	<ul style="list-style-type: none"> • Sets out obligations and permissions for System Management with respect to the use of Verve Energy as the Back Up LFAS Provider. 	<ul style="list-style-type: none"> • Not applicable

11 Market Rule Chapter 8 – Wholesale market metering

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

- None.

11.1.2 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.

Market Procedures currently in the process of being amended

The following Market Procedures relating to Chapter 8 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 8 of the Market Rules have been updated or amended since last year's market audit:

- Internal Procedure: Metering Procedure.

Internal Procedures currently under review

The following Internal Procedures are currently under review:

- None.

11.1.3 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.

11.2 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.

11. Market Rule Chapter 8 – Wholesale market metering. . .

11.3 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.

12 Market Rule Chapter 9 – Settlement

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

12.1 Compliance of the IMO's processes and procedures

12.1.1 Rule amendments

The following clauses which relate to the IMO's obligations have been amended since last year's annual audit and prior to the introduction of the new balancing and load following ancillary service markets:

- 9.3.3, 9.3.4, 9.3.7, 9.13.1;
- 9.9.1, 9.9.1A, 9.9.2, 9.9.3, 9.9.3A (new), 9.9.3B (new), 9.9.4, 9.10A.1, 9.11.1,; and
- 9.20.5, 9.24.5.

The following clauses of Chapter 9 have been amended since the introduction of the new balancing and load following ancillary service markets:

- 9.9.2; and
- 9.3.3, 9.3.4A, 9.7.1, 9.8.1, 9.9.1, 9.9.2, 9.9.3, 9.9.3A, 9.9.3B, 9.9.4, 9.10.1, 9.10A.1, 9.10A.2, 9.11.1, 9.18.3, 9.19.2, 9.22.6, 9.22.8.

12.1.2 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:

- None.

Market Procedures currently in the process of being amended

The following Market Procedures relating to Chapter 9 of the Market Rules are under review or are in the process of being amended:

- None.

Updates to Internal Procedures

The following Internal Procedures have been updated since last year's market audit:

- Internal Procedure: Settlement Procedure
- Internal Procedure: Monthly Operations Procedure
- Internal Procedure: Daily Operations Procedure
- Internal Procedure: Operational Finance and Contingency Procedure.

Internal Procedures currently under review

The following Internal Procedures are currently under review:

12. Market Rule Chapter 9 – Settlement. . .

- 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 13. (Note, not all Rule changes require a consequential amendment to written procedures.)

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

As far as we are able to determine, the IMO's procedures are compliant with its obligations under Chapter 9 of the Market Rules.

12.2 Compliance with Chapter 9 of the Market Rules

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

There have been two material breaches. Both were one-off events; we are satisfied that reoccurrence is unlikely.

12.3 Opinion

PA has reviewed the updated documentation and found the IMO's procedures to be 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 13: Relationship between Rule changes to Chapter 9 and IMO procedure updates

Amended clauses	Description	Procedure updated?
<ul style="list-style-type: none"> 9.3.3, 9.3.4, 9.3.7, 9.13.1 	<ul style="list-style-type: none"> Provides additional obligations on the IMO with respect to the Metering Schedule. 	<ul style="list-style-type: none"> Incorporated within the IMO's settlement systems.
<ul style="list-style-type: none"> 9.9.1, 9.9.1A, 9.9.2, 9.9.3, 9.9.3A (new), 9.9.3B (new), 9.9.4, 9.10A.1, 9.11.1 	<ul style="list-style-type: none"> Amendments made to the Non-Compliance Charge calculation and Reconciliation Settlement amount Amendments made to the Ancillary Service Settlement Calculation and terms related to Ancillary Service settlements. 	<ul style="list-style-type: none"> Incorporated within the IMO's settlement systems.
<ul style="list-style-type: none"> 9.20.5, 9.24.5 	<ul style="list-style-type: none"> Minor amendments. 	<ul style="list-style-type: none"> Not applicable
<ul style="list-style-type: none"> 9.9.2 	<ul style="list-style-type: none"> Amendments to terms relating to ancillary service cost calculations. 	<ul style="list-style-type: none"> Not applicable
<ul style="list-style-type: none"> 9.3.3, 9.3.4A, 9.7.1, 9.8.1, 9.9.1, 9.9.2, 9.9.3, 9.9.3A, 9.9.3B, 9.9.4, 9.10.1, 9.10A.1, 9.10A.2, 9.11.1, 9.18.3, 9.19.2, 9.22.6, 9.22.8 	<ul style="list-style-type: none"> Introduces consequential changes to settlements arising from the introduction of new Balancing and LFAS markets. 	<ul style="list-style-type: none"> Partially: <ul style="list-style-type: none"> Most are incorporated within the IMO's settlement systems. The Settlement Market Procedure needs to be updated to reflect the changes to Clauses 9.3.4A, 9.18.3, 9.19.2 and 9.22.8.

Table 14: Incidents of non-compliance with Chapter 9

Rule	The Issue	Material?	Comment
Appendix 6(f)	Under Appendix 6 (f) of the Rules, the IMO must convert all Market Participant Portfolio Price Curves into a single MCAP Price Curve to determine MCAP. A system code error (limit of 50 participants) meant the system did not take into account all participants when determining the MCAP price curve during the period April to October 2011. As a result, MCAP settled at a higher price for a total of 94 Trading Intervals on 18 days between 5 April and 3 October 2011.	Yes	The error meant that participants selling into balancing were receiving a higher price, and those buying out of balancing were paying a higher price. Facilities on commissioning were being paid a higher MCAP than they should have been. Related prices UDAP and

Rule	The Issue	Material?	Comment
			<p>DDAP were also affected. Market Rules (MR 6.14.7) prevent alteration of MCAP, UDAP and DDAP prices once they have been published. Accordingly the IMO was unable to take any action with respect to the published price results.</p> <p>A system change has meant that reoccurrence of this particular incident is unlikely.</p>
MR 9.18.1	<p>MR 9.18.1 obliges the IMO to provide Non-STEM Settlement Statements to Market Participants in accordance with pre-established timelines.</p> <p>In calculating initial Non-STEM Settlements Statements for July 2011, the IMO identified errors in the underlying meter data for that month. The magnitude of the errors would have led to an approximate \$6m adverse financial impact on one Market Participant, which would not have been corrected for three months.</p> <p>The data could not be corrected by the Meter Data Agent in time to publish Settlement Statements by midnight on the due date of 9 September 2011, as required by the Rules. The IMO therefore decided to delay the statements and invoices to allow for the use of corrected meter data.</p> <p>The net result was a delay in Settlement statements, and ultimately payments between participants were delayed by two business days.</p>	Yes	<p>While late publication had material impact on participants' financial positions, publishing incorrect Non-STEM Settlement Statements would have had a greater impact.</p>

13 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.

13.1 Compliance of the IMO's processes and procedures

13.1.1 Rule amendments

The following clauses of Chapter 10 have been amended since last year's annual audit and prior to the introduction of the new balancing and load following ancillary service markets:

- 10.5.1.

The following clauses of Chapter 10 have been amended since the introduction of the new balancing and load following ancillary service markets:

- 10.2.2, 10.2.3, 10.2.5, 10.2.6, 10.5.1, 10.5.2 (new), 10.6.1, 10.7.1, 10.8.1, 10.8.2; and
- 10.5.1.

13.1.2 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:

- None.

Market Procedures currently under review

The following Market Procedures are currently under review:

- None.

Updates to Internal Procedures

The following Internal Procedures have been updated since last year's audit:

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

Internal Procedures currently under review

The following Internal Procedures are currently under review:

- 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 15. (Note, not all Rule changes require a consequential amendment to written procedures.)

13. Market Rule Chapter 10 – Market Information. . .

13.1.3 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.

13.2 Compliance with Chapter 10 of the Market Rules

Incidents associated with the IMO implementation are set out in Table 16 below.

There was one non-material non-compliance associated with the IMO's obligations under Chapter 10 of the Rules.

13.3 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 15: Relationship between Rule changes to Chapter 10 and IMO procedure updates

• Amended clauses	• Description	• Procedure updated?
• 10.5.1	• Minor amendment to information IMO must provide on Market Web Site (extended to include information for Reserve Capacity Cycle).	No
• 10.2.2, 10.2.3, 10.2.5, 10.2.6, 10.5.1, 10.5.2 (new), 10.6.1, 10.7.1, 10.8.1, 10.8.2	<ul style="list-style-type: none"> • Minor amendments • Minor amendments to the information to be released by the IMO • Minor amendments to the information to be released via the Market Web Site 	No
• 10.5.1	• Balancing data to be disclosed in Market Web Site added in 1 July 2012 rule change, removed in 1 August 2012 rule change	No

Table 16: Incidents of non-compliance with Chapter 10

Rule	The Issue	Material?	Comment
MR 10.2.2	An email with an attached spreadsheet was erroneously sent to a participant. The spreadsheet included BMO information Trading Date 1/07/2012 and Forecasts for 15/07/2012. The email was intended to be sent within the IMO. However the autofilled email recipient inserted an external party's name rather than the intended IMO staff member. The result was the release of information to a single Market Participant who was not authorised to receive it.	No	The staff member initiated recall of email through Outlook and contacted the participant via phone, email and messagebank. The participant confirmed that the email was immediately deleted and the attachment remained unopened. We understand the IMO is to conduct "Risks of Email" internal training as a reminder to staff.

Appendix A: Rule changes since the last Market Audit

Table 17: Market Rule changes

Date	Amendment	Reference
1 October 2011	IMO amended clauses 6.17.6 and 7.7.5D	RC_2008_20
	IMO amended clauses 2.8.13, 4.1.21, 4.1.27, 4.9.9, 4.10.3, 4.11.2A (new), 4.11.3B (new), 4.13.1, 4.13.1A (new), 4.13.1B (new), 4.13.1C (new), 4.13.2, 4.13.2A (new), 4.13.2B (new), 4.13.2C (new), 4.13.3, 4.13.5, 4.13.8, 4.13.10, 4.13.10A, 4.13.10B (new), 4.13.10C (new), 4.13.11, 4.13.11A, 4.13.11B, 4.13.12, 4.13.13 (new), 4.13.14 (new), 4.20.1, 4.25.1, 4.25.2, 4.25.3B, 4.25.4B, 4.26.1, 4.26.1A, 4.28.4, 4.28C.8, 4.28C.8A (new), 4.28C.12, 4.28C.12A (new) and the Glossary	RC_2010_12
	IMO amended clause 4.26.1 and 4.26.1A	RC_2010_22
	IMO amended clauses 2.27.1, 2.27.2, 2.27.4, 2.29.1, 2.29.1A (new), 2.29.5, 2.29.5A (new), 2.29.5B (new), 2.29.5C (new), 2.29.5D (new), 2.29.5E (new), 2.29.5F (new), 2.29.5G (new), 2.29.5H (new), 2.29.5I (new), 2.29.5J (new), 2.29.5K (new), 2.29.5L (new), 2.29.5M (new), 2.29.8A, 2.29.8B, 2.29.9A, 2.29.9B, 2.29.9C, 2.30.3, 2.30.5, 2.30B.2, 2.30B.5, 2.33.1, 2.33.4, 2.35.1, 3.14.1, 3.17.5, 4.8.3, 4.10.1, 4.11.1, 4.11.4, 4.11.4A, 4.12.1, 4.12.4, 4.12.8, 4.14.1, 4.18.1, 4.18.2, 4.25.1, 4.25.2, 4.25.3B, 4.25.4, 4.25.4E, 4.25.4F, 4.25.9, 4.25.10, 4.25A, 4.25A.1, 4.25A.2, 4.25A.3, 4.25A.4, 4.25A.5, 4.26.1, 4.26.1A, 4.26.1B, 4.26.1C, 4.26.2, 4.26.2C, 4.26.2CA (new), 4.26.2D, 4.26.2E, 4.26.2F, 4.26.3, 4.26.3A, 4.26.4, 6.3A.2, 6.5A.1, 6.11.1, 6.11.2, 6.11A.1, 6.12.1, 6.15.2, 6.16.1, 6.16.2 (new), 6.17.6, 7.1.1, 7.2.2, 7.6.10, 7.7.3, 7.7.4, 7.7.4A, 7.7.10, 7.10.4, 7.13.1, 9.3.3, 9.3.4, 9.3.7, 9.13.1, 10.5.1, the Glossary, Appendix 1 and Appendix 3	RC_2010_29
1 November 2011	IMO amended clauses 3.22.2, 3.22.3, 9.9.1, 9.9.1A, 9.9.2, 9.9.3, 9.9.3A (new), 9.9.3B (new), 9.9.4, 9.10A.1, 9.11.1 and the Glossary	RC_2010_33
	IMO amended clauses 2.8.11, 2.24.1, 2.24.2A, 2.34.12, 3.19.12, 3.21.9, 4.1.13, 4.1.18, 4.5.9, 4.10.1, 4.25.4F, 5.1.1, 6.3B.1B, 6.6.3A, 6.14.4, 7.6A.5, 9.20.5, 9.24.5, the Glossary, Appendix 1 and Appendix 3	RC_2011_06
	IMO amended clause 2.38.7.	RC_2011_04
	IMO amended clause 7.6.3	RC_2011_05
1 December 2011	IMO amended clause 2.31.23A	RC_2010_29
	IMO amended clauses 4.26.2, 4.26.2B and 4.26.5.	RC_2011_07

Date	Amendment	Reference
	IMO amended clauses 4.12.4, 4.12.8, 4.26.2D and 7.6.10	RC_2011_08
1 January 2012	IMO amended clause 4.1.11	RC_2010_14
	IMO amended clauses 4.10.1, 4.10.3, 4.10.3A (new), 4.11.2, 4.11.2A, 4.11.3A, 4.11.3B, 4.11.3C (new), 4.11.3D (new), 4.11.3E (new), 6.17.6, 7.7.5A, 7.7.5B, 7.7.5C, 7.7.5D, 7.7.5E, 7.7.9, 7.13.1, 7.13.1C, 10.5.1 ,the Glossary and Appendix 9 (new)	RC_2010_25
	IMO amended clauses 2.10.17 (new), 2.10.18 (new) and 2.10.19 (new)	RC_2011_12
	IMO amended clause 4.16.3	RC_2011_13
1 March 2012	IMO amended clauses 2.17.1, 2.31.13, 2.32.7A (new), 2.32.7B (new), 2.32.7C (new), 2.32.7D (new), 2.32.7E (new), 2.32.7F (new) and the Glossary.	RC_2010_31
	IMO amended clauses 2.33.1, 2.33.2, 2.33.3, 2.33.4, 3.2.1, 3.11.8A, 3.11.8B, 3.13.1, 3.13.3B, 3.13.3C, 3.14.3, 3.21B.7, 4.25.2, 4.28.5, 6.5C.6, 6.18.2, 7.2.3B, 7.6.2, 7.6A.5, 10.5.1, Appendix 1 and the Glossary.	RC_2011_11
1 June 2012	IMO amended clauses 1.10, 2.37.4, 7A.1.2 and 7A.1.16.	RC_2011_10
6 June 2012	IMO amended clause 4.5.12 and Appendix 3.	RC_2011_14
1 July 2012	IMO amended clauses 2.17.1, 4.1.21B (new), 4.12.6, 4.13.1B, 4.20.8 (new), 4.20.9 (new), 4.20.10 (new), 4.20.11 (new), 4.20.12 (new), 4.20.13 (new), 4.20.14 (new), 10.5.1 and the Glossary.	RC_2010_28
	IMO amended clauses 1.10 (new), 2.1.2, 2.2.1, 2.2.2, 2.3.5, 2.10.2A (new), 2.13.6B, 2.13.6E, 2.13.6F, 2.13.6K, 2.13.9, 2.13.13A (new), 2.13.14, 2.16.2, 2.16.4, 2.16.7, 2.16.9, 2.16.9A, 2.16.9B, 2.16.9C, 2.16.9E, 2.16.9F, 2.16.9FB, 2.16.9G, 2.16.10, 2.16.12, 2.16.13, 2.17.1, 2.23.10, 2.34.1, 2.34.7, 2.34.7A (new), 2.34.7B (new), 2.34.7C (new), 2.34.12, 2.34.14, 2.36.1, 2.36.6, 2.36.7 (new), 2.36.8 (new), 2.36.9 (new), 2.36.10 (new), 2.37.4, 3.2.5, 3.4.4, 3.5.7, 3.9.1, 3.11.7, 3.11.7A, 3.11.8, 3.13.1, 3.13.3, 3.13.3A, 3.13.3AB (new), 3.14.1, 3.14.2, 3.21.6, 3.21A.13, 3.21A.14, 3.21AA, 3.22.1, 3.22.2, 3.22.3, 4.10.1, 4.11.1, 4.11.2, 4.11.3B, 4.11.4, 4.11.7, 4.11.10, 4.11.11, 4.11.12, 4.12.1, 4.12.4, 4.12.8, 4.14.4, 4.14.5, 4.23A.1, 4.23A.2, 4.25.3, 4.25.3A, 4.25.3B, 4.25.4, 4.25.7, 4.25.8, 4.25.9, 4.25.10, 4.25.11, 4.25.12, 4.25.14, 4.26.2, 4.26.2D, 5.7.4, 5.9.3, 6.2.4C, 6.3A.1, 6.3A.2, 6.4.6, 6.5.1, 6.5.1A, 6.5.1C, 6.5.4, 6.5A, 6.5C.1 (new), 6.5C.1A, 6.5C.2, 6.5C.7, 6.9.4, 6.11.1, 6.11.2, 6.11.3 (new), 6.11A, 6.12, 6.14, 6.15, 6.16.1A, 6.16.2, 6.16A (new), 6.16B (new), 6.17, 6.18, 6.19.1, 6.20.4, 6.20.6, 6.21.2, 7.1.1, 7.2.1, 7.2.3, 7.2.3A, 7.2.3B, 7.2.3C, 7.2.3D, 7.3.1, 7.3.2, 7.3.4, 7.5.1, 7.5.2, 7.5.3, 7.5.4, 7.5.7, 7.6.1, 7.6.1A, 7.6.1B (new), 7.6.1C (new), 7.6.1D (new), 7.6.2, 7.6.2A, 7.6.2B (new), 7.6.3, 7.6.4, 7.6.5, 7.6.5A, 7.6.6, 7.6.7, 7.6.8, 7.6.9, 7.6.10, 7.6.11, 7.6.12, 7.6.13, 7.6A.1, 7.6A.2, 7.6A.3, 7.6A.4, 7.6A.5, 7.6A.6, 7.6A.7, 7.6A.8, 7.7.1, 7.7.2, 7.7.3, 7.7.3A, 7.7.4, 7.7.4A, 7.7.5, 7.7.5A, 7.7.5B, 7.7.5C (new), 7.7.5D (new), 7.7.6, 7.7.6A (new), 7.7.6B (new), 7.7.7, 7.7.7A, 7.7.8, 7.7.9, 7.7.10, 7.8.1, 7.8.2, 7.9.1, 7.9.1A, 7.9.2, 7.9.4, 7.9.5, 7.9.6, 7.9.6A, 7.9.8, 7.10.1, 7.10.2, 7.10.3, 7.10.3A, 7.10.5, 7.10.5A,	RC_2011_10

Date	Amendment	Reference
	7.10.5B, 7.10.6A, 7.10.7, 7.11.1, 7.11.5, 7.11.6, 7.11.6A (new), 7.11.6B, 7.11.7,	
1 July 2012	7.12.1, 7.13.1, 7.13.1A, 7.13.1B, 7.13.1C, 7.13.4 (new), 7A (new), 7B (new), 9.3.3, 9.3.4A, 9.7.1, 9.8.1, 9.9.1, 9.9.2, 9.9.3, 9.9.3A, 9.9.3B, 9.9.4, 9.10.1, 9.10A.1, 9.10A.2, 9.11.1, 9.18.3, 9.19.2, 9.22.6, 9.22.8, 10.2.2, 10.2.3, 10.2.5, 10.2.6, 10.5.1, 10.5.2 (new), 10.6.1, 10.7.1, 10.8.1, 10.8.2, Appendices and the Glossary.	
	IMO amended clause 9.9.2.	RC_2012_05
	IMO amended clauses 6.17.3A and 6.17.4A.	RC_2012_08
1 August 2012	IMO amended clauses 2.30B.1, 2.30B.2, 2.30B.5, 2.30B.6, 2.30B.6A, 2.30B.7, 2.30B.8 and 2.30B.11.	RC_2012_01

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