

imo 
Independent Market Operator



Modified 2008/09 Operational Plan



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Operational Plan – Modification

In accordance with the IMO regulations, the Minister for Energy approved the IMO's initial draft Operational Plan for 2008/09 on June 30 2008.

Subsequent to submitting the draft Operational Plan to the Minister, the IMO was instrumental in establishing the "Gas Bulletin Board" in response to the disruption to the State's gas supplies caused by the Varunus Island explosion on 3rd June 2008.

The bulletin board was designed to make it easier for businesses to access surplus gas by bringing gas users and producers together.

The creation and operation of the bulletin board was facilitated by amendment of the IMO Regulations and establishing a service agreement between the IMO and the Office of Energy, which sets out the services to be undertaken by the IMO on behalf of the State. These services are reproduced at Appendix 5 and need to form part of the IMO's approved Operational Plan for 2008/09.

Importantly, the service agreement provides for the Office of Energy to reimburse the IMO for costs associated with operating the bulletin board. The operations of the bulletin board will not impact on either the IMO's ability to operate the wholesale electricity market or incur additional costs on market participants.

Executive Summary

The 2008/09 year represents the second full year of operation of the Independent Market Operator of the Wholesale Electricity Market for Western Australia. The focus for the IMO this year will be one of consolidation.

The operational plan for 2008/09 includes:

- Proactively manage market evolution through the publication and implementation of a market evolution plan.
- Actively manage the operational risks associated with the market systems.
- Establish and implement an HR strategy.
- Establish and implement a stakeholder management strategy.
- Enhance the analytical capability and capacity of the IMO team.

The Operational Plan is consistent with the IMO's strategic objectives.

Operational priorities have been developed based on the IMO's experience in operating the Wholesale Electricity Market over the last eighteen months. They are incorporated into the Operational Plan and budget for 2008/09.

From 1 July 2007 to mid April 2008 the 2007/08 Efficiency Targets set for the Market have been achieved and the IMO has achieved the majority of its Key Performance Indicators.

Plan Governance and Approval

The IMO received approval in 2007 of its Allowable Revenue from the Economic Regulation Authority (ERA) for the Review Period 2007/08 to 2009/10.

This Operational Plan and budget is consistent with the ERA's determination on the IMO's Allowable Revenue.

The IMO Board approved the draft 2008/09 Operational Plan at its meeting on 17 April 2008.

In accord with the *Electricity Industry (Independent Market Operator) Regulations 2004*, the IMO is required to submit to the Minister for Energy the 2008/09 Operational Plan by 30 April 2008. This plan provides the Minister with an overview of the IMO's strategic focus and work program for 2008/09.

The Minister is required to approve the Operational Plan within 30 business days.

The IMO must publish the approved budget within five business days, following the Minister's approval.



1 Independent Market Operator

The IMO is an independent statutory authority that was established on 1 December 2004 to administer and operate the Wholesale Electricity Market of Western Australia.

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

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

1.1 Market Objectives

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

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

1.2 IMO Governance Framework

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

The IMO Board is accountable to the Minister for Energy.



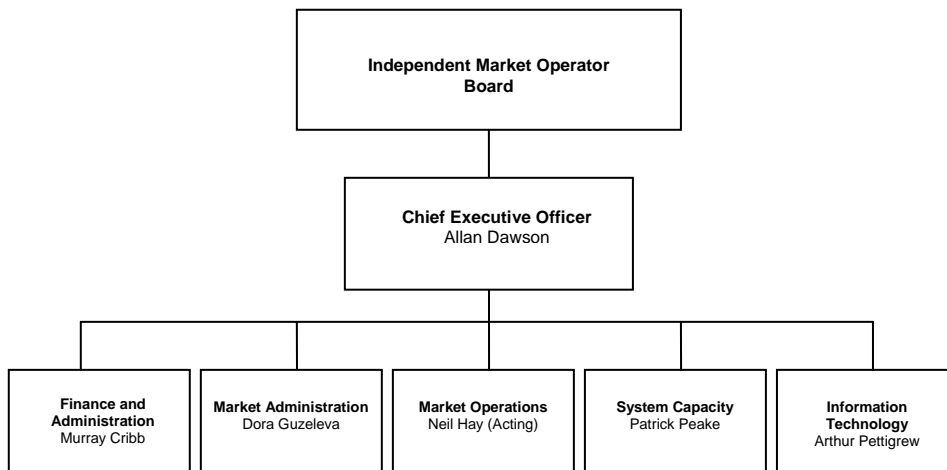
IMO Board members are:

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

Allan Dawson was appointed as Chief Executive Officer on 4 March 2008.

1.3 IMO Organisational Structure

Figure 1. IMO Organisational Chart



The IMO intends to have 26 staff by the end of the 2008/09 year. This is an increase of five on the current staff level and represents an additional four staff over and above the staff complement that was submitted to the Economic Regulation Authority (ERA).

The positions added to the budget in 2008/09 are:

Positions	Justification
Senior analyst	<p>To enhance the analytical capacity and capability. To be shared on a 50:50 basis between Market Administration and System Capacity.</p> <p>Included in the ERA submission.</p>
Front office administrator	<p>A dedicated staff member responsible for ensuring our stakeholder interaction is professional.</p> <p>Included in the IMO stakeholder management strategy.</p>
Graduates (x2)	<p>The IMO graduate program is part of the HR strategy. These graduates will be rotated through the Market Administration, System Capacity and Market Operations teams. This program will allow the IMO to secure quality staff without targeting candidates from Market Participants and wider stakeholders.</p>
Market operator	<p>The additional Market operator is in direct response to the amount of after-hours activity currently being undertaken by this team.</p>



2 2007/08 in Review

The main focus for the IMO in 2007/08 was the on-going improvement to all aspects of its business to better meet the Market Objectives. This included:

- Improvements to the Market Rules through consultation with Market Participants.
- Further development of systems and processes to improve the operational effectiveness of the IMO.
- Further enhancement of the relationships with the IMO's stakeholders, recognising the essential role these stakeholders have in the development of an efficient market.

2.1 Key Performance Indicators 2007/08 (Current to 18 April 2008)

Milestone Achievement	When	1 July 2007 to 18 April 2008
Audit Certification of IMO Operations	1 st quarter 2007/08	Achieved
Certification of IMO Market Systems	1 st quarter 2007/08	Achieved
Satisfactorily Audited Change Control Process	1 st quarter 2007/08	Achieved
Publication of Statement of Opportunities Report	July 2007	Achieved
Certification of Reserve Capacity	August 2007	Achieved
Confirmation of Certified Bilateral Capacity	August 2007	Achieved
Auction Notification (if required)	August 2007	N/A
Auction Outcomes Announced	September 2007	N/A
Reserve Capacity Target - Met	Summer 2007/08	Achieved
Reviews of Market Parameters	Within prescribed Rule timelines	Achieved

Market Development Reviews	1 st and 2 nd quarters of 2007/08	Achieved but not in targeted timeframes¹
Development and Delivery of Market Training Programs	4 per annum	Achieved

<i>Efficiency Target</i>	<i>Target</i>	<i>Outcome - to 18 April 2008</i>	<i>Current Status</i>
Market System Availability	80%	97.6%	Achieved
Market System Unscheduled Outages	<2%	1.34%	Achieved
Number of Market Suspensions	<6	1	Achieved
Number of IMO caused Settlement Errors	< 104 pa	8	Achieved
Settlement Timeline Breaches	<12	4	Achieved
Market Rule Compliance by the IMO	Declining	11	Achieved
IMO Initiation of Rule Change Time Extensions	< 15%	1%	Achieved
IMO Proposed Rule Changes proceed to Implementation	90%	100%	Achieved
Rule Changes do not cause Further Rule Amendments	100%	100%	Achieved
Trend in Market Fees	Decline in real terms	Increased	Not Achieved*

¹ The reserve capacity forecasting review was been delayed due to the need to expand this review.

Fee Revenue Accuracy	1%	2.3%	Not Achieved**
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* There are two key inputs to the calculation of the IMO fees – its budget and the forecasted electricity demand/supply in the SWIS. The IMO fee rate increased by 4.9% from 2006/07 to 2007/08. This resulted from an increase in the IMO budget from 2006/07 to 2007/08, which was higher than the electricity demand growth between the two years.

** Market fees exceeded target by 2.3% which was influenced by stronger than forecasted electricity demand.



3 Strategic Direction and Operational Priorities for 2008/09

THE IMO'S STRATEGIC OBJECTIVES

Operational Effectiveness and Efficiency

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

Market Development

- Evolution of the Market is appropriate and is managed effectively.

Customer and Stakeholder Satisfaction

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

Financial Responsibility

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

The 2008/09 Operational Plan is consistent with these strategic objectives.

3.1 Operational Priorities – External Influences

In establishing operational priorities for 2008/09, the IMO is cognisant of the following factors that impact the development of the Market:

- Continued strong economic growth and increased demand for energy.
- The need for extensive investment in energy infrastructure.
- Policy developments in regard to emissions trading, greenhouse gas abatements, and renewable energy targets.
- The potential introduction of full retail contestability, tariff restructuring and relaxation of retail price controls.
- Limited fuel availability.



- Increasing fuel prices.
- Impact of gas disruptions and the need to effectively manage fuel restrictions.
- National policy developments in gas and electricity markets and regulation.
- Energy industry developments (e.g. takeovers, mergers and new market participants).

OPERATIONAL PLANS

Strategic Objective: Operational Effectiveness and Efficiency

The IMO team and its systems and processes have strong integrity and operate effectively and efficiently.

- Operate the Market with a minimum of suspensions, disruptions and in compliance with the Market Rules.
- Establish a programme to identify and mitigate (where appropriate) the operational risks associated with the market systems.
- Develop and disseminate high quality market analysis to Market Participants and stakeholders.
- Provide information to the Market in a transparent and timely manner.
- Establish a business continuity plan for critical market services.
- Establish robust outsourced support and maintenance contracts for market systems once the current contracts expire in July 2008.
- Develop settlement verification tools to enhance the validation of settlement outcomes.
- Develop a monthly load forecast to evaluate the Reserve Capacity outcomes.
- Complete a retrospective review of the capacity year and publish it to stakeholders.
- Actively monitor factors that influence generation reliability.



- Complete the review of the participation of demand side management in the Reserve Capacity Mechanism.

Strategic Objective: Market Development

Evolution of the market is appropriate and managed effectively.

- Develop and publish a medium term (12 to 24 months) market evolution plan.
- Initiate, in conjunction with Market Participants, the development of a long term market roadmap. This high level roadmap would identify the steps required to facilitate the achievement of long term objectives of market stakeholders and policy makers (e.g. competitive balancing, full retail competition and a real-time market).
- Monitor the external environment to identify trends which may influence market development.
- Operate and improve the Short Run Marginal Cost Model when monitoring market behaviour in conjunction with the ERA.
- Monitor and review the prudential requirements of all Rule Participants.
- Monitor all Rule Participants' compliance with the Market Rules, investigate potential breaches of the Market Rules and, where appropriate, initiate enforcement action.
- Ensure the IMO has adequate processes and systems in place to comply with its obligations under the Market Rules and Procedures.
- Support the ERA in its role of market surveillance and monitoring market effectiveness.

Strategic Objective: Customer and Stakeholder Satisfaction

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

- Develop and implement a stakeholder management strategy.
- Focus on staff development, promoting the IMO's values and ensure the high performance of staff is maintained.



- Enhance market education and training programmes.
- Promote the use of the Market Advisory Committee for general market advice.
- Publish market information in a form that is easily understood by a wide range of audiences.
- Develop the IMO website to provide a quality information interface for updates on the Market and market evolution.

Strategic Objective: Financial Responsibility

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

- Maintain appropriate policies and procedures to ensure the effective governance of the IMO.
- Develop and implement an HR strategy that ensures the IMO recruits, retains and develops its staff.
- Minimise the IMO's risk profile through effective risk management.
- Improve and evolve the IMO's accounting and financial management systems.

4 2008/09 Budget

4.1 Three Year Review Period – Approval Provided

In accordance with clause 2.22.3 of the *Wholesale Electricity Market Rules*, the IMO must seek approval of its “Allowable Revenue” from the ERA for the relevant Review Period.

Allowable Revenue is defined as the revenue that may be recovered through fees to meet the costs of providing IMO’s services to the market.

The ERA determined the IMO’s Allowable Revenue for the Review Period (2007/08 to 2009/10) to be \$29.669 million comprising:

- \$10.351 million in 2007/08;
- \$10.542 million in 2008/09; and
- \$8.776 million in 2009/10.

The ERA determination allowed for total expenditure across the review period of \$29.717 million after allowing for interest revenue of \$48,000.

4.2 Surplus Result from 2006/07

Rule 2.22.7 requires that where revenue earned for services via Market Fees is greater than the IMO’s expenditure, the budget for the following year must take this into account by decreasing the budgeted revenue by the amount of the surplus.

The revenue earned from Market Fees from market commencement in September 2006 to financial year end at 30 June 2007, was \$2.493 million more than the IMO’s expenses.

This amount will be applied as an adjustment to the budgeted revenue in 2008/09 (thereby reducing the level of Market Fees that will be recovered from Market Participants).



4.3 Projected 2007/08 Operating Budget Outturn

Projected 2007/08 outturn	\$,000
Cost saving on budget	1,092
Additional fee revenue (market volume)	222
Interest received	214
Projected 2007/08 saving	1,528

Once the actual saving for 2007/08 has been calculated and audited the IMO will apply this saving to the 2009/10 Market Fees.

4.4 Budget Forecasts 2008/09 to 2009/10

The most significant impact on the IMO budget for 2008/09 has been the inclusion of the cost of maintenance and support of the market systems. These services were previously provided under the system development contract. This service agreement expires in June 2008.

The IMO is currently tendering system support beyond the current financial year, with cost assessments projected at \$850,000 in 2008/09 and \$884,000 in 2009/10.

The cost of system support and maintenance was not included in the ERA Approved Revenue submission.

A further item of significance that affects the forecast for 2009/10 relates to the cost of in-sourcing the IMO's IT infrastructure arrangements. Currently these are provided by the Department of Treasury and Finance.

The budget projection for this item in 2009/10 has been assessed at \$426,000 which is an increase of \$350,000 on the initial budget projection of \$76,000.

4.5 A Three Year View

The surplus result from 2006/07 and the projected saving in 2007/08 as well as the inclusion of the costs associated with system support and maintenance and in-sourcing IT infrastructure produce a series of adjustments across the Allowable Revenue in 2008/09 and 2009/10.



The three Market Rules which govern adjustments to the IMO's budget are set out below:

- 2.22.6. Following the first determination of the Allowable Revenue of the IMO by the Economic Regulation Authority under clause 2.22.3 and subject to clauses 2.22.7 and 2.22.8, the budget proposal must be consistent with the Allowable Revenue determined by the Economic Regulation Authority for the relevant Review Period.
- 2.22.7. Where the revenue earned for the services described in clause 2.22.1 via Market Fees in the previous Financial Year is greater than or less than the IMO's expenditure for that Financial Year, the current year's budget must take this into account by decreasing the budgeted revenue by the amount of the surplus or adding to the budgeted revenue the amount of any shortfall, as the case may be.
- 2.22.8. Where, taking into account any adjustment under clause 2.22.7, the budget proposal is likely to result in revenue recovery, over the relevant Review Period, more than 15% greater than the Allowable Revenue determined by the Economic Regulation Authority, the IMO must apply to the Economic Regulation Authority to reassess the Allowable Revenue.

The Market Rules provide for the Allowable Revenue for the three year Review Period to be reallocated between years, provided the total Allowable Revenue for the Review Period is not exceeded by 15% (Rule 2.22.8).

Importantly, the proposed adjustments are in compliance with the Market Rules with a net reduction of \$1.221 million in the Allowable Revenue for the Review Period. Appendix 1 sets out the detailed adjustments.

The IMO operational plan and budget are consistent with the ERA's determination of Allowable Revenue for the IMO dated 20 March 2007.

Appendix 2 provides details of the IMO budget for 2008/09 and 2009/10 and comparing this with the budget submitted to and approved by the ERA.

All significant variations are explained by way of foot note.

Appendix 3 sets out a consolidated set of forecast financial statements through to the conclusion of the Review Period. This includes:

- Statement of Financial Position;
- Statement of Cash Flows; and
- Statement of Income and Expenditure.



Appendix 4 provides a breakdown of the IMO's budget into market operation, system planning and market administration functions.

This separation is required under the Market Rules.

4.6 ISSUE – CAPITAL BUDGET REQUIREMENTS

The IMO has allowed for \$700,000 as a capital budget for 2008/09. This has been allocated to the upgrade of market systems.



5 Market Fees

As part of its responsibilities the IMO is required to charge Market Fees in accordance with clause 2.24 of the Market Rules to recover the costs of:

- the IMO;
- System Management's wholesale market functions; and
- the Economic Regulatory Authority's (ERA) market functions.

The Rules provide a methodology for calculating fees for settlement. The fee rates will be set to recover allowable revenue on the following basis:

- 50% on the basis of the forecast annual generation; and
- 50% on the basis of the forecast annual load.

There are fixed rate application fees set at a level commensurate with the direct costs borne by the IMO.

The IMO must publish prior to 30 June 2008 the:

- Market Fee rate
- System Operation Fee rate
- Regulator Fee rate
- Rate for each Application Fee for 2008/09
- Total projected IMO fees for 2008/09
- Total projected System Operation Fees for 2008/09
- Total projected Regulator Fees collected for the Economic Regulation Authority's market monitoring and regulation services for 2008/09

The IMO is also required to separately identify the relevant costs for its Market Administration, Market Operations and System Capacity functions respectively.

5.1 MARKET FEES FOR 2008/09

The total revenue to be recovered through Market Fees in 2008/09 is as follows:

Revenue Requirement 2008/09	(\$000's)
IMO Revenue Requirement	9,368
System Management Revenue Requirement	TBA
ERA Revenue Requirement	TBA
Total Revenue to be Recovered through Market Fees	TBA

Please note that the IMO is yet to receive advice from System Management or the ERA on their revenue requirements for 2008/09.

Following the release of updated energy forecasts in June 2008, the IMO will determine and publish the level of the Market Fee rate, System Operation Fee rate and Regulator Fee rate for 2008/09.

IMO Revenue Requirement by Function 2008/09	(\$000's)
Market Operations	5,885
Market Administration	2614
System Planning	869
REVENUE REQUIREMENT	9,368
Indicative IMO Market Fee Rate (MWh)	\$0.271

Trend in IMO Fee rate	IMO Fee recovered Dollars per MWh
2006/07	\$0.307
2007/08	\$0.322
Projected for 2008/09	\$0.271

6 Proposed Key Performance Indicators – 2008/09

Strategic Objective: IMO Operational Effectiveness and Efficiency

Measure	Performance Expectation
▪ Audit and Certification of Systems	Certified
▪ Market System Availability	≥ 95% of time
▪ No. of STEM Suspensions	< 4 pa
▪ Release of Market Incident Reports	≤ 20 Business Days
▪ Late Settlement Statements (STEM & Non-STEM)	< 3 pa
▪ Reserve Capacity Processes Timelines	Achieved

Strategic Objective: IMO Market Development

Measure	Performance Expectation
▪ Market Rule & Procedure Changes completed within Rule Timeframes	
• IMO initiation of process time extensions	≤5%
• Reviews of Market Parameters (Price Caps, Ancillary Services, Loss Factors)	Within timelines prescribed by Market Rules
▪ Market Development Reviews	In accordance with the timeframes published in the Market evolution plan

Strategic Objective: IMO Customer and Stakeholder Satisfaction

Measure	Performance Expectation
▪ Formal Market Training Sessions	4 pa
▪ Market Information Sessions and Presentations	4 pa

Strategic Objective: IMO Financial Responsibility

Measure	Performance Expectation
▪ Expenditure Control	Expenditure ≤ Budgeted Expenditure
▪ Capital Expenditure Control	Capital Expenditure ≤ Plan



APPENDIX 1

IMO FINANCING ARRANGEMENTS FOR THREE YEAR "ALLOWABLE REVENUE" PERIOD (2007/08 - 2009/10)

	2007/08 \$'000	2008/09 \$'000	2009/10 \$'000	TOTAL \$'000
IMO PROPOSED EXPENDITURE 2007/08 - 2009/10				
ORIGINAL EXPENDITURE COMPREHENDED IN ERA APPROVAL: ¹				
- SOURCED FROM MARKET FEES	10,351	10,542	8,776	29,669
- SOURCED FROM INTEREST REVENUE	<u>15</u>	<u>16</u>	<u>17</u>	<u>48</u>
	10,366	10,558	8,793	29,717
ADDITIONAL PROJECTED REVENUE:				
- MARKET FEES	222	-	-	222
- INTEREST REVENUE	<u>214</u>	<u>70</u>	<u>15</u>	<u>299</u>
	436	70	15	521
TOTAL NOTIONAL EXPENDITURE	10,802	10,628	8,808	30,238
PROJECTED EXPENDITURE	<u>9,274</u>	<u>11,947</u>	<u>10,289</u>	<u>31,510</u>
VARIATION	-1,528	1,319	1,481	1,272
 IMO ALLOWABLE REVENUE 2007/08 - 2009/10				
ORIGINAL PER ERA APPROVAL (RECOVERY FROM MARKET FEES)	10,351	10,542	8,776	29,669
PROPOSED ADJUSTMENTS TO ORIGINAL:				
- INCREASE IN EXPENDITURE FROM ORIGINAL ERA APPROVAL		1,319	1,481	2,800
- FROM 2006/07 ACTUAL FINANCIAL RESULT		<u>-2,493</u>		-2,493
- FROM 2007/08 PROJECTED FINANCIAL RESULT			<u>-1,528</u>	<u>-1,528</u>
ADJUSTMENT TO RECOVERABLE REVENUE		-1,174	-47	-1,221
ADJUSTED ALLOWABLE REVENUE (TO BE RECOVERED FROM PARTICIPANTS)	10,351	9,368	8,729	28,448

NOTES:

1. 2009/2010 EXCLUDES \$1.43M DEPRECIATION RELATED TO PROPOSED EXPENDITURE OF \$8.6 M - IN 2009/10 - FOR REPLACEMENT OF WEMS (REMOVED BY ERA)

**IMO THREE YEAR EXPENDITURE BUDGET
PROJECTIONS V ORIGINAL ALLOCATIONS COMPREHENDED IN ERA APPROVAL**

Description	2007/2008			2008/2009			2009/2010			Note
	ERA Submission	Projected	Variance	ERA Submission	Proposed Budget	Variance	ERA Submission	Proposed Budget	Variance	
Salary and Wages	2,969,831	2,833,000	-4.6%	3,194,201	3,500,000	9.6%	3,321,968	3,640,000	9.6%	1
Other Staffing Costs	163,341	90,000	-44.9%	175,681	110,000	-37.4%	182,708	114,400	-37.4%	2
Accommodation	265,487	305,397	15.0%	273,452	284,000	3.9%	281,655	295,360	4.9%	3
Supplies and Services	3,588,877	2,726,326	-24.0%	3,470,081	4,250,326	22.5%	3,661,014	4,768,339	30.2%	4, 5
Borrowing Costs	454,697	393,000	-13.6%	320,909	361,000	12.5%	220,407	79,000	-64.2%	6
Depreciation	2,924,000	2,927,000	0.1%	3,124,000	3,442,000	10.2%	1,125,000	1,392,000	23.7%	7
Total Expenditure	10,366,233	9,274,723	-10.5%	10,558,324	11,947,326	13.2%	8,792,752	10,289,099	17.0%	

Notes:

- Salary increase in 2008/09 and 2009/10 due to additional market operator, database operator, two graduates, and accounts payable position (service previously provided by Department of Treasury and Finance).
- Budget projections in all three years for payroll tax over stated by approximately \$70,000.
- Higher than expected accommodation budget outlay in 2007/08 due to rental increase of 22% from 1st April 2007 (out year rental projections are based on alternative premises, with lower rental rate).
- Significant projected savings in 2007/08 influenced by lower than expected expenditure on market operations dispute resolution (\$655,000), and IT related expenditure (\$180,000).
- Additional expenditure in 2008/09 and 2009/10 related to maintenance and support of WEMs (\$850,000 in 2008/09 and \$884,000 in 2009/10), and in-sourcing of IT environment (extra \$350,000 in 2009/10).
- Borrowing costs based on repayment schedule determined by Western Australian Treasury Corporation for loans taken out in support of capital purchases for WEM system. Increased costs in 2008/09 influenced by additional capital expenditure on WEMS in 2007/08 of \$560,000 and increases in financing costs since three year projections were formulated. Original 2009/10 projection were over stated.
- Additional depreciation in out years due to capital expenditure on WEMS in 2007/08 of \$560,000 and out lay of \$570,000 in late 2007/08 on fit out of alternative premises.

APPENDIX 3

Independent Market Operator

Forecast Income Statement for the Years Ending

	Projected 30-Jun-08 (\$'000's)	Forecast 30-Jun-09 (\$'000's)	Forecast 30-Jun-10 (\$'000's)
REVENUE			
Revenue from operating activities			
User charges and fees	10,573	9,368	8,729
Revenue from outside operating activities			
Government Grants	-	-	-
Interest Revenue	229	86	31
Total revenues from ordinary activities	10,802	9,454	8,760
EXPENSES			
Expenses from ordinary activities			
Employee expenses	2,923	3,610	3,754
Supplies and services	2,726	4,250	4,768
Depreciation expenses	2,927	3,442	1,392
Accomodation	305	284	295
Borrowing Costs	393	361	79
Total expenses from ordinary activities	9,274	11,947	10,288
NET PROFIT	1,528	(2,493)	(1,528)
Total changes in equity other than those resulting from transactions with WA State Government as owners	1,528	(2,493)	(1,528)

Independent Market Operator**Statement of Cash Flows for the Years Ending**

	2007/08	2008/09	2009/10
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Operating Receipts	10,573	9,368	8,729
Interest Revenue	229	86	31
Payments			
Operating Payments	(5,954)	(8,144)	(8,817)
Interest Payments	(393)	(361)	(79)
Net cash provided by/(used in) Operating Activities	4,455	949	(136)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for the purchase of non-current assets	(1,834)	(522)	
Net cash provided by/(used in) Investing Activities	(1,834)	(522)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan Proceeds	1,264	500	
Loan Repayments	(1,046)	(2,514)	(3,481)
Net cash provided by/(used in) Financing Activities	218	(2,014)	(3,481)
Net Increase/(Decrease) in Cash Held	2,839	(1,587)	(3,617)
Cash assets at the beginning of the financial year	2,848	5,687	4,100
CASH AT END OF FINANCIAL YEAR	5,687	4,100	483

Independent Market Operator

Forecast Statement of Financial Position

	2007/08	2008/09	2009/10
<i>Current Assets</i>			
Cash Assets	5,687	4,100	483
Receivables	1,743	1,743	1,743
Other Assets		-	-
Total Current Assets	7,430	5,843	2,226
<i>Non-Current Assets</i>			
Furniture, fittings and equipment	666	505	334
Intangible Assets	5,323	2,564	1,343
Total Non-Current Assets	5,989	3,069	1,677
Total Assets	13,419	8,912	3,903
<i>Current Liabilities</i>			
Payables	640	640	640
Provisions	282	282	282
Other Liabilities			
Total Current Liabilities	922	922	922
<i>Non-Current Liabilities</i>			
Provisions	59	59	59
Interest Bearing Liabilities	6,662	4,648	1,167
Total Non-Current Liabilities	6,721	4,707	1,226
Total Liabilities	7,643	5,629	2,148
NET ASSETS	5,776	3,283	1,755
EQUITY			
Retained Profit	5,776	3,283	1,755
Total Equity	5,776	3,283	1,755

IMO BUDGET BY FUNCTIONAL AREAS - PROPOSED BUDGET V ERA APPROVAL

Functional Area	2007/2008			2008/2009			2009/2010		
	ERA Approved ⁽¹⁾	Projected	Variance	ERA Approved ⁽¹⁾	Proposed Budget	Variance	ERA Approved ⁽¹⁾	Proposed Budget	Variance
Market Administration	\$2,999	\$2,634	-\$365	\$3,019	\$3,334	\$315	\$3,218	\$3,481	\$263
Market Operations	\$6,452	\$5,754	-\$698	\$6,411	\$7,506	\$1,095	\$4,301	\$5,649	\$1,348
System Capacity	\$915	\$887	-\$28	\$1,128	\$1,108	-\$20	\$1,273	\$1,159	-\$114
Total	\$10,366	\$9,275	-\$1,091	\$10,558	\$11,947	\$1,389	\$8,792	\$10,289	\$1,497

Note:

- The ERA approval figures are the total annual expenditure figures comprehended in the ERA approval inclusive of interest revenue of \$15,000 for 2007/2008, \$16,000 for 2008/2009, and \$16,000 for 2009/2010.

APPENDIX 5

Description of the Services to be provided by the IMO

Recognising that the IMO has the expertise and resources to provide services in relation to the operation of an energy bulletin board, the IMO shall be contracted to establish and operate, on behalf of the State of Western Australia, a Gas Bulletin Board (GBB) on the following terms:

- the purpose of the GBB shall be to provide a platform for Western Australia's gas industry to facilitate the contracting of natural gas between buyers and sellers which will be conducive to the efficient operation of, and allocation of resources in, the wholesale electricity market;
- the GBB shall be established and operated by the IMO independently of the Office of Energy;
- participation in the GBB will be voluntary and open to all bona fide buyers and sellers (including users) of natural gas;
- the GBB will provide introductions between buyers and sellers of natural gas in accordance with matching procedures established by the IMO;
- trades facilitated by the GBB will initially cover exchanges at Dampier for gas transported through the Dampier Bunbury Natural Gas Pipeline and may be expanded to cover exchanges at a Perth metropolitan outlet designated by the IMO for natural gas sources through the Parmelia Pipeline, and exchanges at other pipeline inlets or outlets, and the location of exchanges may be changed from time to time at the discretion of the IMO;
- prospective buyers of natural gas shall not rely on any express or implied representations by the IMO or the Office of Energy as to the availability, quantity or quality of natural gas offered by prospective sellers on the GBB;
- prospective sellers of natural gas shall not rely on any express or implied representations by the IMO or the Office of Energy as to the credit standing of prospective buyers;
- following each introduction through the GBB, each buyer and seller of natural gas shall negotiate their own sale and purchase contract terms on a bilateral basis, and make their own transport arrangements, without any contractual involvement of or recourse to the IMO or the Office of Energy;
- the Services may be extended to include liquified petroleum gas (LPG) if the IMO and the Office of Energy so agree; and
- the Office of Energy shall have no liability to the IMO for the operation of the GBB except as expressly provided for in this Agreement.