

//WAGO0001S - Certificate WA SM v2.doc

8 September 2006

Mr Ken Brown  
Western Power  
8 Joel Terrace  
East Perth WESTERN AUSTRALIA

Dear Mr Brown,

### **Certification of Western Power's WA Wholesale Electricity Market Systems**

As a result of our examination of the WEM Rules and of Western Power's electricity market information systems, we are able to provide the following certification:

*We certify that the following software products and system will perform substantially in compliance with the software specifications implied by the WEM Rules version 2.5, dated 26 June 2006, as amended, together with the associated Market Procedures:*

- *SMMITS software current at 3<sup>rd</sup> August 2006*

*Although we have observed and noted some aberrations or anomalies in relation to the software and system specifications, we believe that they are not likely, of themselves, to represent a material deviation from the design concept contained in WEM Rules provided due attention is paid to the points noted in this Certification in the use of the systems. All material aberrations or anomalies noted during our examination have been resolved by Western Power through corrections to the market systems or amendments to the Market Rules*

### **Scope of the review and certification**

The scope of the audit has included, at a minimum:

1. Tests to determine whether the outputs of the software systems are consistent with those which result from the application of the formulation described in the WEM Rules;
2. Identification of inconsistencies and non-compliance of the software products with the WEM Rules accompanied by comprehensive explanations as to how such conclusions were derived; and
3. Specific recommendations as to how the identified inconsistencies and non-compliance to the rules could be corrected. Where appropriate recommendations as to how the WEM Rules should be amended to achieve consistency with the software, which would result in a more acceptable market performance.

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4. The retesting of software systems where fixes have been applied to confirm the new outputs are consistent with the application of the formulations described in the WEM Rules.

The independent audit does not include assuring other aspects of the systems computational performance other than the correctness of the computations performed therein.

#### **Nature of the tests conducted and results obtained**

In performing the review and certification of the systems, we have:

- Examined each software product and the WEM Rules to fully understand what functions the software and system are required to perform, what data it is required to use, what results the software are required to produce, and how they are to calculate them; and then
- Conducted a series of tests on the software to determine whether they properly performed these functions and correctly calculated the results required. In this respect, the software systems were tested for their accuracy in representing the requirements of the WEM Rules

Despite the efforts that are made to educate market participants, the start of any new or restructured market raises the possibility that some market participants will be surprised by the commercial consequences of operating in the new market structure. PA does not audit potential commercial consequences for all or any market participants, although where we observed any potentially unintended consequences, we advised our client of them.

Provided the systems are used in the manner intended and with data that conforms to the requirements specified in the WA Electricity Market documents or, if not explicitly discussed therein, is within the expected range of values for data pertaining to the characteristics of the Western Australian electricity system, we have found that the systems correctly calculates the required results.

#### **Disclaimer of Liability**

PA Consulting Group (PA) has been asked by the Western Australian Independent Market Operator (WA IMO) and System Management (SM) to act as an independent market auditor to perform extensive testing of the respective systems to verify their compliance with the WEM Rules

Despite the extensive testing of the software systems, this certification is not, and cannot be, in the form of an absolute guarantee. Error-free use and compliant results through time will increase the probability that the software are in strict accordance with the design principles.

Further, our certification is only valid if the software systems are used with care and for the purpose for which they were designed and tested.

In furnishing this certification, PA specifically limits its liability to the cost of repeating all and any certification evaluations, and any necessary re-certification in reliance on those evaluations. No person shall be entitled to claim against PA, any losses or damage whether direct, indirect, special or consequential, in excess of that limitation. Western Power shall ensure that all persons or parties who may rely on this certification are aware of this limitation of liability.

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- 3 -

**PA**

Yours Sincerely,



Rob McMillan  
Member of PA's Management Group