

# WA Independent Market Operator

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 September 2009

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**FOREWORD**

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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

- 2.14.3. 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.

PA has found that the IMO has generally complied with its obligations under the Market Rules. However, there have been a small number of non-material breaches together with two material breaches.

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## **1. INTRODUCTION**

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The document 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.

### **1.1 SCOPE OF THE MARKET AUDIT**

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

- 2.14.3. 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.

### **1.2 MARKET AUDIT PROCESS**

This year's market audit has taken the form on an "incremental" audit.

We have looked in detail at the clauses in the Market Rules and Market Procedures and IMO's Internal Procedures where:

- The clauses in the Market Rules are new or amended since last year's annual audit;
- Market Procedure 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 at areas that have changed since last year's annual audit. Areas where the Internal Procedures and Market Rules have not changed, and where last year the Internal Procedure was found to comply with the Market Rules, will still be in compliance and we have deemed it unnecessary to assess in detail or comment on those areas in this audit report.

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 1 September 2007;
3. Mapped those obligations identified in step 2 to the applicable Internal Procedures;
4. Identified new IMO Internal Procedures that are new or have been updated since the previous market audit dated 1 September 2007;
5. Identified IMO Internal Procedures that relate to areas of non-compliance identified in the previous market audit dated 1 September 2007;
6. Reviewed the IMO procedures identified in steps 3, 4 and 5 for compliance with the Market Rules;
7. Sought evidence that the IMO is following those procedures so as to comply with the Market Rules;
8. Had discussions with IMO managers and staff to clarify issues identified; and then
9. Prepared a draft report setting out our findings followed by a final report.

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 or the Market Rules but do comply with the intention of the Market Rules; or

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

### **1.3 STRUCTURE OF THIS REPORT**

The report contains PA’s analysis of the operation of the IMO on a Market Rules chapter by chapter basis. However, due to the large number of rule changes made which affect the obligations of the IMO with respect to the market rules, we shall first consider these rules changes.

Appendix A records the mapping of Market Rule obligations to both the Market Procedures and the appropriate IMO Internal Procedures.

### **1.4 ACKNOWLEDGEMENTS**

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



## 2. **RULE CHANGES SINCE THE LAST MARKET AUDIT**

### 2.1 INTRODUCTION

Since the last market audit, the IMO had carried out a programme of reviewing the Market Rules and their associated procedures. In this context, it is important to appreciate that the content and form of the Market Rules are outside the scope of the market audit which considers whether the IMO – and System Management – have complied with the Rules.

This process has given rise to a significant number of amendments to most chapters of the Rules, with each amendment itself affecting more than one chapter. Therefore, rather than noting on a chapter by chapter basis the Rules which have been changed, we shall note these changes on a Rule Change basis.

However, this will not alter our opinions expressed in the following sections which consider compliance on a Market Rule chapter by chapter basis.

### 2.2 MARKET RULE CHANGES

The following market Rule Changes have been implemented. All Rule Changes below have been implemented following the Rule Change process as set out in sections 2.5 and 2.7 of the Market Rules. Note that not all of these amendments affect the IMO's obligations.

**Table 2-1: Market Rule changes**

Reference	Title	Market Rules Affected
RC_2008_07	Energy Price Limits Methodology	6.18.1, 6.18.2, 6.18.3, 6.20.1, 6.20.5, 6.20.7, 6.20.8, 10.5.1, Glossary and Appendix 1
RC_2008_19	Correction of References and Minor Drafting Errors	2.13.8 (b), 4.16.4 (e), 4.26.2, 6.14.4 (b), 7.7.5A (b), 9.10.1 and Appendix 5
RC_2008_11	Maximum Reserve Capacity Price	2.26.1, 2.26.3, 2.26.4, 4.1.19, 4.16.3, 4.16.4, 4.16.5, 4.16.7, 4.16.8, 4.16.9, 4.22.3, and Appendix 4
RC_2008_15	Delay of Resource Plan Submissions	6.5.1 (a) and 6.5A.1(a)
RC_2008_17	Commissioning Tests and the Reserve Capacity Mechanism	3.21A.7, 3.21A.7A (new), 4.1.26, 4.10.1, 4.27.10, 4.27.10A (new), 4.27.11, 4.27.11A (new), 4.27.11B (new), 4.27.11C (new), 4.27.11D (new), 4.27.12, 6.5.1A and 6.5.1C
RC_2008_14	Information from Network Operators	4.11.5 and 10.2.2
RC_2008_21	Local Black Start Procedures	3.7.3, 3.7.4, 3.7.5, 3.7.6 (all new)
RC_2008_23	LNG to be Added to Liquid Fuel Definition	Glossary
RC_2008_18	Delegation by IMO	2.1.3 and 2.2.3
RC_2008_26	Consistency Between Clauses 4.12.1 and 4.26.2 of the Market Rules	4.12.1
RC_2008_27	Funding of Supplementary Reserve Capacity	4.28.3, 4.28.4
RC_2008_24	Commissioning Tests for Intermittent Generators	4.26.1 and 4.26.1A
RC_2008_25	Intermittent Load Refund Maximum	4.28A.1(b)
RC_2008_28	Eligible Services for Supplementary Reserve Capacity	4.24.3 and 4.24.19 (new)
RC_2008_29	Change to curtailable load de-registration timeframe	2.33.4(d)

Reference	Title	Market Rules Affected
RC_2008_40	Notification of synchronisation and desynchronisation	7.9.1 and 7.9.5, new clause 7.9.1A
RC_2008_30	Reserve Capacity Security	4.13.1, 4.13.10, 4.13.10A (new), 4.13.11, 4.13.11A (new), 4.13.11B (new)
RC_2008_33	Compliance Standard of Performance and Reporting	2.12, 2.14.5A(new), 2.14.6A(new), 2.14.6B(new), 2.14.7, 2.14.8(new), 2.14.9(new)
RC_2008_20	Demand Side Management – Operational Issues	2.29.5, 2.29.8A, 2.29.8B, 2.29.9A, 2.29.9B, 2.29.9C, 4.8.3, 4.10.1, 4.11.1, 4.11.4, 4.11.4A, 4.12.8, 4.14.1, 4.25.1, 4.25.2, 4.25.3B, 4.25.4, 4.25.4E, 4.25.4F, 4.25.9, 4.25A.1, 4.25A.2, 4.25A.3, 4.25A.4, 4.25A.5, 4.26.1, 4.26.1C, 4.26.2, 4.26.2C, 4.26.2D, 4.26.2E, 4.26.3, 4.26.3A, 6.17.6, 7.7.5D, 7.7.10 and 7.13.1 N.b. Some are still to commence
RC_2009_09	Exemption from real-time compliance monitoring for certain commissioning units	7.10.5 and [New] 7.10.5A
RC_2009_12	Definition of a Power System Operating Procedure	Glossary
RC_2009_01	Correction of Minor and Typographical Errors	1.4.1(a), 2.5.7(f)(iii)(1), 4.11.5
RC_2009_02	Updates to Protected Provisions	2.8.13
RC_2009_04	Approval of proposed new, amended, and replacement Market Procedures	2.10.6, 2.10.13, 2.10.14, 2.10.15, 2.10.16 and Glossary
RC_2008_32	Calculation of IRCR	8.6.1 and Appendix 5
RC_2008_38	Least cost determination of ancillary service contracts	3.11.8E (new), 6.17.6
RC_2009_03	Provision of Intermittent Generator Forecast Information	7.2.5
RC_2009_16	Correction of minor and typographical errors	2.7.4, 2.7.5, 2.7.8.(c), 2.28.4, 2.31.1, 2.31.5.(b), 2.31.6(b), 2.31.6.(c), 2.31.12, 2.31.13.(k), 2.31.21.(a), 2.34.8, 2.37.8, 2.41.2, 2.41.3, 4.27.10, 5.2.1.(c), 5.2.1.(f), 5.2.5, 5.2.7, 5.4.2, 5.4.14.(a), 5.5.3.(f), 9.23.1, 9.23.1.(i), 9.23.1.(l), 9.23.5, 9.23.5.(b), 9.23.6.(b), 10.5.1.(e).(iii) and the Glossary

### **3. MARKET RULE CHAPTER 1 – INTRODUCTION**

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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.

#### **3.1 DOCUMENTATION**

The Notices and Communications Market Procedure relating to Chapter 1 has been amended since last year's market audit.

#### **3.2 AMENDMENTS TO CHAPTER 1**

There have been only typographical amendments that relate to the IMO's obligations in Chapter 1 of the Market Rules since last year's market audit.

#### **3.3 COMPLIANCE WITH CHAPTER 1**

PA has reviewed the appropriate Market Procedures and associated Internal Procedures. The procedures to be followed are fully documented and, if followed, should result in compliance with the Market Rules.

#### **3.4 OPINION**

The IMO has complied with its obligations under Chapter 1 of the Market Rules.

## **4. MARKET RULE CHAPTER 2 – ADMINISTRATION**

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

### **4.1 DOCUMENTATION**

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

- Market Procedure for Facility Registration, Facility de-Registration and Facility Transfer; and
- Market Procedure for Monitoring Protocol.

### **4.2 AMENDMENTS TO CHAPTER 2**

As indicated in Table 2-1, there have been 41 amendments to Chapter 2 of the Market Rules. However, the majority of these are either editorial in nature or enabling in that they are associated with more substantive changes in other chapters of the Market Rules. The amendments to Chapter 2 are as follows:

- 2.1.3;
- 2.10.6, 2.10.13, 2.10.14, 2.10.15, 2.10.16 and Glossary;
- 2.8.13;
- 2.12, 2.14.5A(new), 2.14.6A(new), 2.14.6B(new), 2.14.7, 2.14.8(new), and 2.14.9(new);
- 2.29.5, 2.29.8A, 2.29.8B, 2.29.9A, 2.29.9B, 2.29.9C; and
- 2.33.4(d).

#### **4.2.1 Clauses 2.1.3**

This clause allows the IMO to perform a function through an officer, employee or agent.

#### **4.2.2 Clause 2.8.13**

This amendment updates the protect clauses provisions of the Market Rules.

#### **4.2.3 2.10.6, 2.10.13, 2.10.14, 2.10.15, 2.10.16 and Glossary**

These clauses govern the process by which an approval of proposed new, amended, and replacement Market Procedures is given and are largely editorial in nature.

#### **4.2.4 Clauses 2.12, 2.14.5A(new), 2.14.6A(new), 2.14.6B(new), 2.14.7, 2.14.8(new), and 2.14.9(new)**

These amendments place the IMO and System Management on equal footing vis-à-vis other market participants with respect to breaches of the Market Rules. They also place the IMO and System Management on equal footing vis-à-vis the outcomes of the Annual Audit.

#### **4.2.5 Clauses 2.33.4(d)**

This amendment changes the facility de-registration timeframe for curtailable loads to allow for churn amongst these loads between market participants.

#### **4.3 COMPLIANCE WITH CHAPTER 2**

PA has reviewed the appropriate Market Procedures and associated Internal Procedures. The procedures to be followed are fully documented and, if followed, should result in compliance with the Market Rules.

We note that there have been a number of instances where the IMO has not complied with the reporting obligations set out in Chapter 2. These are all associated with late reporting and are assessed as having no impact on any market participant and so are considered to be not material.

Following these instances, the appropriate procedures, including IT processes, have been revised to prevent their reoccurrence.

#### **4.4 OPINION**

Other than the late reporting instances noted, as far as we have been able to determine, the IMO has complied with its obligations under Chapter 2 of the Market Rules.

## **5. MARKET RULE CHAPTER 3 – POWER SYSTEM SECURITY AND RELIABILITY**

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

### **5.1 DOCUMENTATION**

No Market Procedures associated with Chapter 3 of the Market Rules have been amended since the last market audit.

### **5.2 AMENDMENTS TO CHAPTER 3**

There have been no amendments that relate to the IMO's obligations in Chapter 3 of the Market Rules since last year's market audit.

### **5.3 COMPLIANCE WITH CHAPTER 3**

PA has reviewed the appropriate Market Procedures and associated Internal Procedures. The procedures to be followed are fully documented and, if followed, should result in compliance with the Market Rules.

We have not noted any non-compliance on the part of the IMO with respect to its obligations under Chapter 3 of the Market Rules.

### **5.4 OPINION**

As far as we have been able to determine, the IMO has complied with its obligations under Chapter 3 of the Market Rules.

## **6. MARKET RULE CHAPTER 4 – RESERVE CAPACITY**

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

### **6.1 DOCUMENTATION**

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

- Market Procedure for Determination of the Maximum Reserve Capacity Price;
- Market Procedure for Reserve Capacity Performance Monitoring;
- Market Procedure for Individual Reserve Capacity Requirements; and
- Reserve Capacity Security.

### **6.2 AMENDMENTS TO CHAPTER 4**

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

- 4.16.3 and 4.16.9
- 4.8.3, 4.10.1, 4.11.1, 4.11.4, 4.11.4A, 4.12.8, 4.14.1, 4.25.1, 4.25.2, 4.25.3B, 4.25.4, 4.25.4E, 4.25.4F, 4.25.9, 4.25A.1, 4.25A.2, 4.25A.3, 4.25A.4, 4.25A.5, 4.26.1, 4.26.1C, 4.26.2, 4.26.2C, 4.26.2D, 4.26.2E, 4.26.3, 4.26.3A
- 4.13.1, 4.13.10, 4.13.10A (new), 4.13.11, 4.13.11A (new), 4.13.11B (new) and
- 4.28.4

#### **6.2.1 Clauses 4.16.3 and 4.16.9**

These clauses require that the IMO document the methodology and process it uses to determine the Maximum Reserve Capacity Price and to follow this methodology and procedure. The IMO must also review this procedure at least every five years.

#### **6.2.2 Clauses 4.8.3, 4.10.1, 4.11.1, 4.11.4, 4.11.4A, 4.12.8, 4.14.1, 4.25.1, 4.25.2, 4.25.3B, 4.25.4, 4.25.4E, 4.25.4F, 4.25.9, 4.25A.1, 4.25A.2, 4.25A.3, 4.25A.4, 4.25A.5, 4.26.1, 4.26.1C, 4.26.2, 4.26.2C, 4.26.2D, 4.26.2E, 4.26.3, 4.26.3A,**

These clauses relate to changes made to the Market Rules to address issues found in manner in which demand side management is utilised. The details of these significant changes are given in Rule Change 2008\_20<sup>1</sup> and will not be described here.

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<sup>1</sup>

[http://www.imowa.com.au/f307,12090/12090\\_RC\\_2008\\_20\\_20081124\\_FinalRuleChangeReport.pdf](http://www.imowa.com.au/f307,12090/12090_RC_2008_20_20081124_FinalRuleChangeReport.pdf)

**6.2.3 Clauses 13.1, 4.13.10, 4.13.10A (new), 4.13.11, 4.13.11A (new), 4.13.11B (new)**

These changes improve the efficiency of the provisions regarding administering the return of Reserve Capacity Security and remove doubt as to whether Reserve Capacity Security should apply to facility upgrade projects and DSM programmes.

**6.2.4 Clause 4.28.4**

This amendment modifies the calculation of the Shared Reserve capacity cost.

**6.3 COMPLIANCE WITH CHAPTER 4**

PA has reviewed the appropriate Market Procedures and associated Internal Procedures. The procedures to be followed are fully documented and, if followed, should result in compliance with the Market Rules.

We have noted six instances of non-compliance on the part of the IMO with respect to its obligations under Chapter 4 of the Market Rules, one of which affected market participants.

In this case, the IMO failed to notify market participant's that had provided the IMO with a Reserve Capacity Security for a Facility that the need to maintain that Reserve Capacity Security has ceased. It then failed refund any Reserve Capacity Security which is in the form of a cash deposit (plus interest earned on that cash deposit) no later than five Business Days following when the Facility satisfied 100% of its Reserve Capacity Obligation Quantity. This resulted in a late refund where appropriate and a Rule Change has clarified the responsibilities under similar circumstances.

The other instances of non-compliance did not affect market participants and have disclosed procedural problems within the IMO which have been rectified. These included:

- A late opening of the window for lodging reserve capacity application by 20 minutes;
- A failure to subject facilities to physical tests to confirm their reserve capacity. While this might appear to be a material non-compliance, at question here is the timing of these tests, with the IMO still having time to arrange the required tests. The concern here is that the requirement that tests be conducted had not been recognised appropriately.
- A failure to retest the capacity of a unit within the required window of time following an initial test due to an email being sent to an incorrect address.

In our opinion, only the late refund of the Reserve Capacity Security has been material.

**6.4 OPINION**

Other than the instances noted above, far as we have been able to determine, the IMO has complied with its obligations under Chapter 4 of the Market Rules.



## **7. MARKET RULE CHAPTER 5 – NETWORK CONTROL SERVICE PROCUREMENT**

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Market Rule Chapter 5 sets out the Network Control Service Procurement Rules which are the responsibility of the IMO in its System Capacity role.

### **7.1 DOCUMENTATION**

The following Market Procedure has been updated since last year's market audit:

- Market Procedure for Network Control Services.

### **7.2 AMENDMENTS TO CHAPTER 5**

There have been only typographical amendments that relate to the IMO's obligations in Chapter 5 of the Market Rules since last year's market audit.

### **7.3 COMPLIANCE WITH CHAPTER 5**

As at 28 August 2009, the IMO has not used the provisions of Chapter 5 of the Market Rules. However, the procedures to be followed are fully documented and, if followed, should result in compliance with the Market Rules.

### **7.4 OPINION**

We are able only to advise that should the IMO utilise the provisions of Chapter 5 of the Market Rules, the procedures set out in the Market Procedure for Network Control Services are expected to ensure that the IMO will do so in a manner that complies with Chapter 5 of the Market Rules.

## **8. MARKET RULE CHAPTER 6 – ENERGY MARKET**

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

### **8.1 DOCUMENTATION**

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

### **8.2 AMENDMENTS TO CHAPTER 6**

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

- 6.5.1 (a) and 6.5A.1(a) and
- 6.18.1, 6.18.2, 6.18.3, 6.20.1, 6.20.5, 6.20.7, 6.20.8,

#### **8.2.1 Clauses 6.5.1 (a) and 6.5A.1(a)**

These amendments allow extensions to the timelines for the submission of STEM and Balancing Data should the IMO have suffered a software or infrastructure systems failure.

#### **8.2.2 Clauses 18.1, 6.18.2, 6.18.3, 6.20.1, 6.20.5, 6.20.7, 6.20.8**

These amendments relate to changes made to the Energy Price Limits Methodology. In 2007, the annual review of the appropriateness of the value of the Energy Price Limits examined the cost assumptions and methodology for determining the price caps. A number of issues were raised, from which these amendments followed to better encompass the requirements of setting these price limits.

### **8.3 COMPLIANCE WITH CHAPTER 6**

PA has reviewed the appropriate Market Procedures and associated Internal Procedures. The procedures to be followed are fully documented and, if followed, should result in compliance with the Market Rules.

There have been two breaches of the IMO's Chapter 6 obligations since last year's market audit.

The first, which is not material, has been a lack of acknowledgement by the IMO of STEM submissions. This has been rectified by an IT fix.

The second has been an incorrect calculation of the resource plan validation which meant that a facility with a loss factor less than 1.0 could not submit all of its capacity in their resource plan; we understand that only one participant has been so affected. It is also possible that a participant with a loss factor greater than 1.0 might be able to submit more generation than they had capacity; however, the maximum generation cleared would be limited to the available capacity so it is unlikely that any such participant was adversely affected. The IMO has confirmed that no other participants have been affected other than the one noted above.

As far as PA has been able to determine, the software concerned had not been a part of the regular audit of the market systems software. The software error has now been corrected and has been tested and certified by PA.

This breach of the Market Rules is considered to be material.

#### **8.4 OPINION**

As far as we have been able to determine, with the exception of the two breaches noted above, the IMO has complied with its obligations under Chapter 6 of the Market Rules.

**9. MARKET RULE CHAPTER 7 – DISPATCH**

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

**9.1 DOCUMENTATION**

No Market Procedures associated with Chapter 7 of the Market Rules have been amended since the last market audit.

**9.2 AMENDMENTS TO CHAPTER 7**

There have no changes to Chapter 7 of the Market Rules which affect the IMO's obligations.

**9.3 COMPLIANCE WITH CHAPTER 7**

PA has reviewed the appropriate Market Procedures and associated Internal Procedures. The procedures to be followed are fully documented and, if followed, should result in compliance with the Market Rules.

We have not noted any non-compliance on the part of the IMO with respect to its obligations under Chapter 7 of the Market Rules.

**9.4 OPINION**

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

## **10. MARKET RULE CHAPTER 8 – WHOLESALE MARKET METERING**

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

### **10.1 DOCUMENTATION**

No Market Procedures associated with Chapter 8 of the Market Rules have been amended since the last market audit.

### **10.2 AMENDMENTS TO CHAPTER 8**

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

- 8.6.1 and
- Appendix 5.

#### **10.2.1 8.6.1**

This change set out some minor changes to the data required for the calculation of the meter data.

#### **10.2.2 Appendix 5**

This changes sets out the tests required when determining the Individual Reserve Capacity Requirements for a Trading Month.

### **10.3 COMPLIANCE WITH CHAPTER 8**

PA has reviewed the appropriate Market Procedures and associated Internal Procedures. The procedures to be followed are fully documented and, if followed, should result in compliance with the Market Rules.

We have not noted any non-compliance on the part of the IMO with respect to its obligations under Chapter 8 of the Market Rules.

### **10.4 OPINION**

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

**11. MARKET RULE CHAPTER 9 – SETTLEMENT**

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

**11.1 DOCUMENTATION**

No Market Procedures associated with Chapter 9 of the Market Rules have been amended since the last market audit.

**11.2 AMENDMENTS TO CHAPTER 9**

There have been only typographical amendments that relate to the IMO's obligations in Chapter 1 of the Market Rules since last year's market audit.

**11.3 COMPLIANCE WITH CHAPTER 9**

PA has reviewed the appropriate Market Procedures and associated Internal Procedures. The procedures to be followed are fully documented and, if followed, should result in compliance with the Market Rules.

There have been two breaches of the IMO's Chapter 9 obligations since last year's market audit; both are considered to be non-material.

The first relates to the late publication of settlement data due to an IT problem which would have given market participants less time to prepare for settlement. This has been rectified by a new version of the software.

The second relates to clause 9.23.4 where participants have been late in paying small amounts to the IMO and the IMO has not issued a "Cure Notice". This is to be raised with the Market Advisory Committee with the intention of making the issue of a "Cure Notice" optional under such circumstances.

**11.4 OPINION**

As far as we have been able to determine, with the exception of the non-material breach mentioned above, the IMO has complied with its obligations under Chapter 9 of the Market Rules.

**12. MARKET RULE CHAPTER 10 - MARKET INFORMATION**

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

**12.1 DOCUMENTATION**

No Market Procedures associated with Chapter 10 of the Market Rules have been amended since the last market audit.

**12.2 AMENDMENTS TO CHAPTER 10**

There have been only typographical amendments that relate to the IMO's obligations in Chapter 10 of the Market Rules since last year's market audit.

**12.3 COMPLIANCE WITH CHAPTER 10**

We have reviewed both the Market and Internal Procedures relating to market information and consider that, provided due care is taken, these set out adequate procedures to protect the integrity of and access to market information.

We have not noted any non-compliance on the part of the IMO with respect to its obligations under Chapter 10 of the Market Rules.

**12.4 OPINION**

As far as we have been able to determine, the IMO has complied with its obligations under Chapter 10 of the Market Rules.

**APPENDIX A: MAPPING OF MARKET PROCEDURES TO THE IMO'S MARKET RULE OBLIGATIONS**

The mapping of the IMO's Market Procedures and related documents to its obligations under the Market Rules follows.

<b>Market Procedure</b>	<b>MR Clause</b>	<b>Commenced</b>	<b>PA opinion</b>
Administration Procedure	2.9.5.	12 September 2006	✓
Capacity Credit Allocation Procedure	9.4.3	12 September 2006	✓
Certification of Reserve Capacity, Version 2	4.9.10	15 July 2008	✓
Declaration of Bilateral Trades and the Reserve Capacity Auction	Chapter 4 Appendix 3	15 July 2008	✓
Facility Registration , De-Registration and Transfer Procedure, Version 2	2.31.23	25 November 2008	✓
Individual Reserve Capacity Requirements Procedure	4.28.12	11 December 2008	✓
Information Confidentiality Procedure	10.2.1.	11 September 2006	✓
Intermittent Load Refund Procedure	4.28A.3	12 September 2006	✓
IT Interface Procedure - System Overview and Requirements	2.36.5	11 September 2006	✓
Loss Factor Procedure	2.27.6.	September 2006	✓
Maximum Reserve Capacity Price Procedure	4.16.3.	04 December 2008	✓
Meter Data Submission Procedure	8.6.2	September 2006	✓
Monitoring Protocol	2.15.1.	17 October 2008	✓
Procurement of Network Control Service Procedure	5.3.9, 5.4.14 and 5.5.3.	17 October 2008	✓
Notices and Communications Procedure	1.6.1.	20 January 2009	✓
Participant Registration and Deregistration Procedure	2.31.23	24 July 2009	✓
Prudential Requirements Procedure	2.43.1	15 October 2008	✓
Reserve Capacity Performance Monitoring Procedure	4.27.12	15 October 2008	✓
Reserve Capacity Testing Procedure	4.25.14	12 September 2006	✓
Reserve Capacity Security	4.13.8	24 July 2009	✓
Settlement Procedure	9.2.1.	12 September 2006	✓
Treatment of Small Generators Procedure	4.28B.9	12 September 2006	✓
Web Site Change Procedure	10.3.5	12 June 2008	✓



*A: Mapping of Market Procedures to the IMO's Market Rule obligations*

<b>Market Procedure</b>	<b>MR Clause</b>	<b>Commenced</b>	<b>PA opinion</b>
Settlement Cycle Timelines	9.16	01 June 2009	✓