



INDEPENDENT
MARKET
OPERATOR

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FACILITATING COMPETITION
IN WESTERN AUSTRALIA'S
ENERGY SECTOR.





INDEPENDENT
MARKET
OPERATOR

2014-15 Operational Plan

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1. Operational Plan Governance

2. 2014-15 Objectives/KPIs

3. 2014-15 Budget

4. 2014-15 Market Fees



IMO Operational Plan

- A requirement under the Electricity Industry (Independent Market Operator) Regulations 2004 r.30
- Under r.31 the Operational Plan is to:
 - a) give an outline of the nature and scope of the functions to be performed during the relevant financial year; and
 - b) specify business and service performance targets and other measures by which to judge performance for the relevant financial year; and
 - c) address resource allocation; and
 - d) give an estimate of income and expenditure and source of funding during the relevant financial year; and
 - e) address any other matters that the Minister directs the IMO to address in the operational plan.

1. Operational Plan Governance

1. Allowable Revenue Process
2. IMO Board approves Draft Operational Plan
3. Draft Operational Plan submitted to the Minister for Energy
4. Minister considers for approval
5. Approved Operational Plan
6. Published on the IMO Website
7. Quarterly reports provided to the Minister for Finance

1.1 Allowable Revenue Process

- Required under WEM Rule 2.22.3
- IMO prepares a comprehensive submission to the ERA covering a three year period
- Submission is required to be with ERA by 30 November prior to the next Allowable Revenue (AR) period
- Currently AR3 covers 1 July 2013 to 30 June 2016
- AR3 was the first AR to include Forecast Capital Expenditure (FC)
- ERA assesses and must make a determination by 31 March of the following year, including a period of public consultation
- Both WEM and GSI are aligned to the same AR timeframes

1.1 Allowable Revenue Process

Historical Allowable Revenue Submissions

Allowable Revenue Period	IMO Submission (\$'000)	ERA Determination (\$'000)	% Approved
AR1 – 1 July 2007 to 30 June 2010	31,102	29,669	95.4%
AR2 – 1 July 2010 to 30 June 2013	33,970	33,943	99.9%
AR3 – 1 July 2013 to 30 June 2016	48,776	48,776	100%
FC1 – 1 July 2013 to 30 June 2016	6,274	6,274	100%

1.2 IMO Board approves Draft Operational Plan

- Planning undertaken including the revision of business requirements to budget
- Objectives and KPI's are reviewed and amended as necessary
- IMO prepares a Draft Operational Plan including budget to address the requirements of r. 31
- Operational Plan is presented to the Board for approval

1.3 Draft Operational Plan submitted to the Minister for Energy

- Once Board approval has been granted
- Submission is prepared to send to the Minister for Energy
- Must be submitted by 30 April in the year prior to the new financial year
- Must be consistent with AR Determination

1.4 Minister considers for approval

- Minister for Energy seeks the Treasurer's concurrence
- Minister can direct the IMO to review and revise Draft Operational Plan
- Minister has 30 working days to approve budget
- No time limit on approval of Draft Operational Plan
- If not approved by 1 July, the Draft Operational Plan is followed

1.5 Approved Operational Plan

- Minister writes to IMO advising that Operational Plan has been approved

1.6 Published on the IMO Website

- Once written approval has been received from the Minister the IMO publishes the Approved Operational Plan on the IMO website under Corporate Reports and Budgets

1.7 Quarterly reports provided to the Minister for Finance

- A Quarterly Report to the Minister is prepared by the IMO which outlines:
 - Quarterly Highlights & Key Issues
 - Progress against the Strategic Objectives and KPIs
 - Financial Reports to the end of the relevant Quarter

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2014-15 IMO Operational Plan

- Based on a set of Strategic Objectives approved by the IMO Board:
 - Operating Markets
 - Developing the WEM and GSI
 - Establishing and Building Strong Relationships
 - Financial Responsibility and Risk Management
 - Skills and Resources

2014-15 IMO Operational Plan

- Was approved by the Minister for Energy on 13 June 2014
- Is the second year of the Allowable Revenue Determination covering the period 2013-14 to 2015-16

1. Operational Plan Governance

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3. 2014-15 IMO WEM Budget

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2014-15 IMO (WEM) Budget

Approved Allowable Revenue

Description	2013/14 (\$'000)	2014/15 (\$'000)	2015/16 (\$'000)	Total (\$'000)
ERA's determination: Allowable Revenue	15,825	16,265	16,686	48,776

Approved Forecast Capital Expenditure

Description	2013/14 (\$'000)	2014/15 (\$'000)	2015/16 (\$'000)	Total (\$'000)
ERA's determination: Forecast Capital Expenditure	2,583	1,984	1,707	6,274

2014-15 IMO (WEM) Interperiod Adjustment

Under the WEM rules, the IMO is required to return an operating surplus or recover an operating deficit from Market Participants via an adjustment to the Allowable Revenue two years after the financial result has been independently audited.

Financial Budget/Result	2010/11 (\$'000)	2011/12 (\$'000)	2012/13 (\$'000)	2013/14 (\$'000)	2014/15 (\$'000)
Budgeted Surplus/(Deficit)	(772)	(156)	(500)	993	(1,401)
Actual Surplus/(Deficit)	<u>(272)</u>	<u>(1,149)</u>	<u>901</u>	<u>TBD</u>	<u>TBD</u>
Operating Surplus/(Deficit)	500	(993)	1,401	TBD	TBD

2014-15 IMO (WEM) Sources of Funding

Sources of funding	Budgeted 2014/15 (\$'000)	Budgeted 2013/14 (\$'000)
Market Fees (Adjusted)	15,225	16,758
Inter-Period Adjustment (from 2012/13)	1,401	(993)
Interest Revenue	<u>50</u>	<u>50</u>
Total Funding (Normal Operations)	16,676	15,815

Adjusted Market Fees is the net result of the Allowable Revenue approved by the ERA (adjusted to \$16,626,000) less the Inter-Period Adjustment from 2012/13 (\$1,401,000).

2014-15 IMO (WEM) Budget by Functional Areas

Functional Service Area	Budgeted 2014/15 (\$'000)	Budgeted 2013/14 (\$'000)
Market Administration	5,498	5,052
Market Operation	8,502	8,033
System Planning	<u>2,676</u>	<u>2,730</u>
Total Budget	16,676	15,815

2014-15 IMO (WEM) Budget by Expenditure Categories

Classification	2014/15 (\$'000)	2013/14 (\$'000)
Employee Benefits Expense	5,996	5,568
Supplies & Services	4,980	5,004
Accommodation	782	715
Depreciation	4,444	3,946
Borrowing costs	<u>474</u>	<u>582</u>
Total Budgeted Expenditure	16,676	15,815
Less Interest revenue	(50)	(50)
Add/(Less) Inter-Period Budget Adjustment	<u>(1,401)</u>	<u>993</u>
Market Fees (To be Levied)	15,225	16,758

2014-15 IMO (WEM) Forecast Capital Expenditure

	2013/14 (\$'000)	2014/15 (\$'000)	2015/16 (\$'000)	Total (\$'000)
Forecast Capital Expenditure	2,583	1,984	1,707	6,274

Allocated to the following IT Categories:

IT Category	2014/15 (\$'000)	2013/14 (\$'000)
Corporate Support (Non-Market Systems)	128	130
Wholesale Electricity Market Systems (WEMS)	385	654
Settlements	70	368
Infrastructure Support (Market Systems)	999	972
Data/Information Provision	402	459
Total 2014/15 Forecast Capital Expenditure	1,984	2,583

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2014-15 Market Fee – Revenue Requirements

2014-15 Revenue requirements:

Market Fees - Revenue Requirement	2014/15 (\$'000)	2013/14 (\$'000)
IMO Revenue Requirement	15,225	16,758
System Management Revenue Requirement	15,105	12,616
ERA Revenue Requirement	2,488	2,589
Total Revenue to be recovered through Market Fees	32,818	31,963

Expected Energy Forecast¹ - 16,680GWh

2014-15 Market Fees were calculated on 37,583,000 MWh.

This has been adjusted for loss factor, then doubled for allocation to both Market Generators and Market Customers

¹Sourced from the 2014 SWIS Energy Demand Outlook (SEDO)

2014-15 Market Fee Breakdown

Market Fees - Revenue Requirement	2014/15	2013/14
IMO Fee Rate	\$0.405/MWh	\$0.456/MWh
System Management Fee Rate	\$0.402/MWh	\$0.343/MWh
ERA Fee Rate	\$0.066/MWh	\$0.070/MWh
Total Market Fee Rate	\$0.873/MWh	\$0.869/MWh

2006/07 to 2014/15 Historical Market Fee Breakdown



Questions?

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