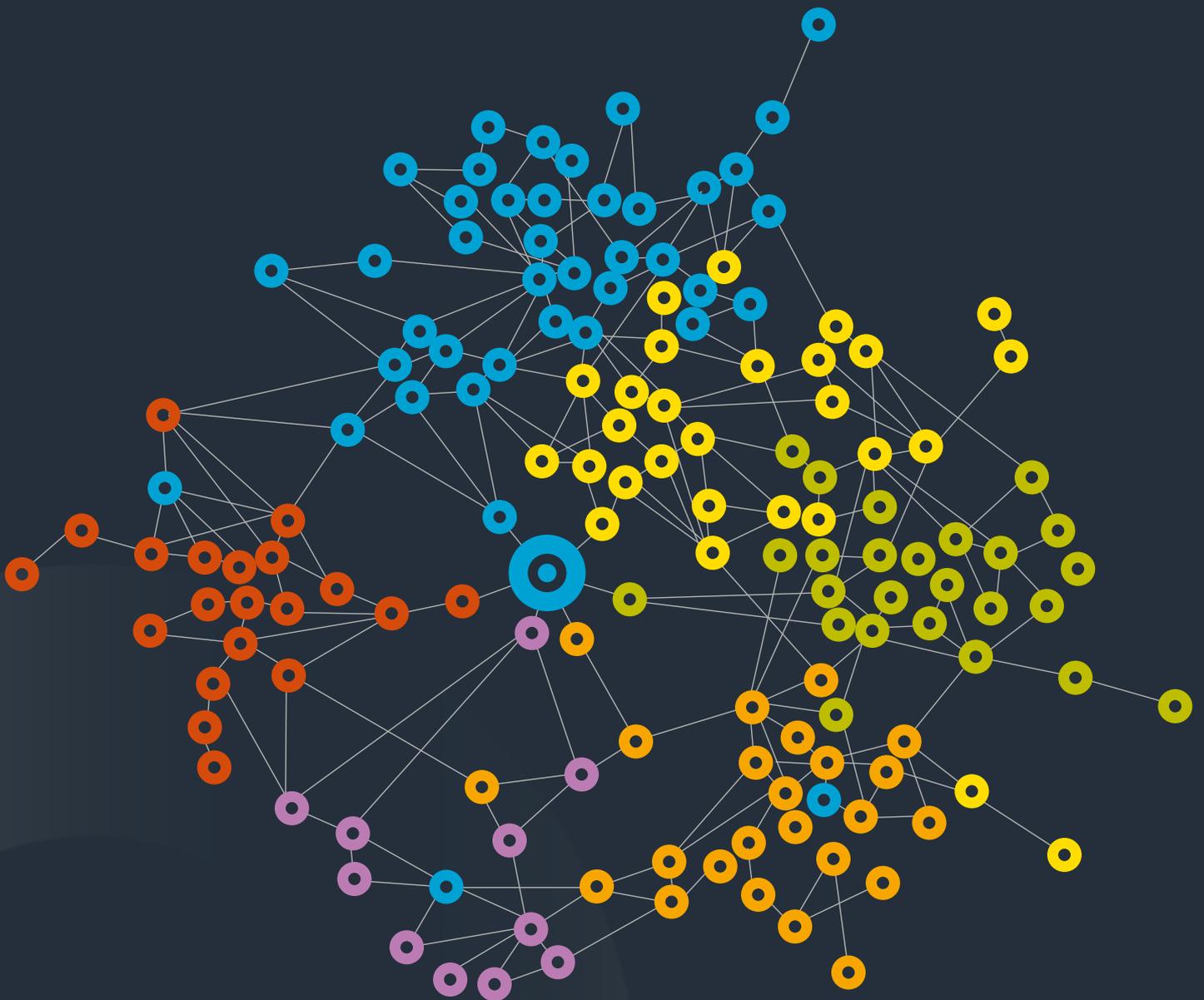




INDEPENDENT  
MARKET  
OPERATOR

# Annual Report

2014/15



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## Independent Market Operator

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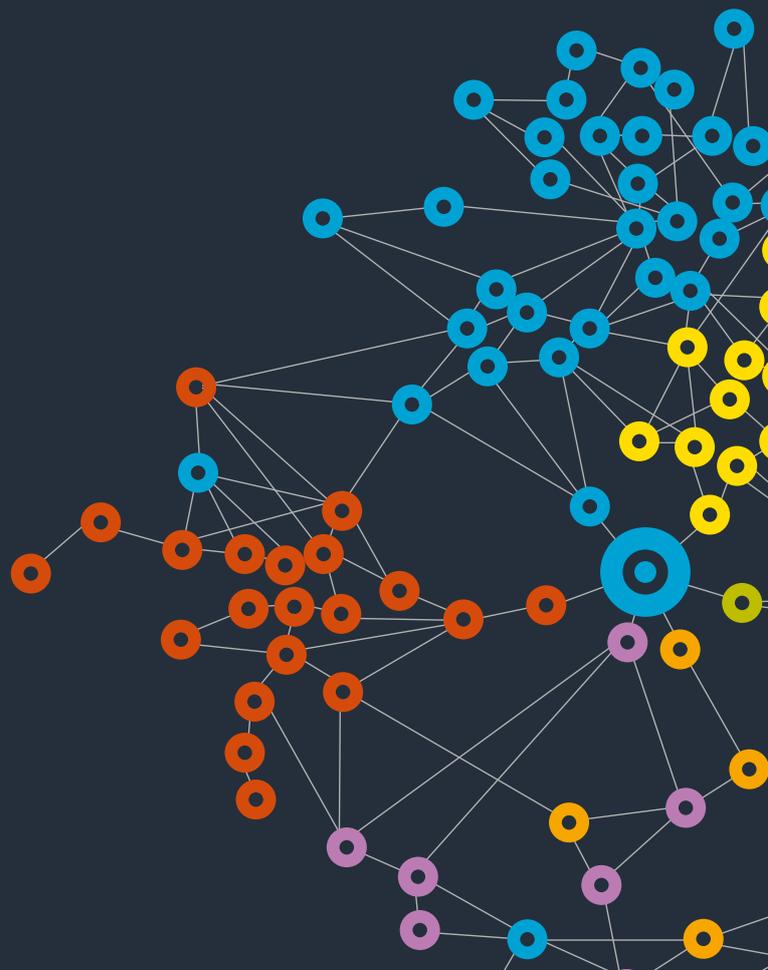
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# Chair and Executive Report

2014/15 was a challenging year for the IMO. Throughout the year, the IMO continued to deliver against its key strategic objectives, whilst making meaningful contributions to the Electricity Market Review (EMR).

August 2014 marked the first anniversary of the Gas Services Information (GSI), which included the Gas Bulletin Board (GGB) and the Gas Statement of Opportunities (GSOO). The third GSOO was published in December 2014, further developing the overview of the WA gas sector, including a summary of the domestic natural gas market, international LNG markets, an estimate of WA's gas reserves and demand and supply forecasts for the domestic gas market. The key finding of this year's GSOO was that the supply of gas to the domestic market is expected to be adequate to meet demand over the 10 year forecast period.

In March 2015, the Minister for Energy announced the outcomes and recommendations of the EMR Phase 1 review. As a result, four EMR workstreams were established, categorised as:

- i) Network Regulations;
- ii) Market Competition;
- iii) Institutional Arrangements; and
- iv) Wholesale Electricity Market Improvements.

The IMO was active in seconding personnel and providing advice to these workstreams.

In March 2015, the IMO received its second Ministerial Direction from the Minister for Energy to defer the 2015 Reserve Capacity Cycle for 12 months. The IMO has successfully implemented this direction and has reengineered its Reserve Capacity process, procedures and systems for 2016 to ensure the impact on Market Participants is minimised.

The IMO has continued with its strategy of enhancing market transparency, with the ongoing development of the market data visualisations which are now prominently placed on the IMO's website. These visualisations feature up to date market information, including outage and enhanced generation information. The enhanced visualisations have been well received by Market Participants.

This year the IMO initiated targeted compliance reviews with our Market Participants with the aim of encouraging a compliance culture in the WEM through education and communication. While participation was voluntary, the IMO has experienced a great uptake and response from our Market Participants.

In June 2015, the IMO published the 2014 Electricity Statement of Opportunities (ESOO), which provides the IMO's forecast of electricity peak demand and sent out energy for the South West Interconnected System (SWIS) in Western Australia covering the forecast period 2015-16 to 2024-25 across a range of scenarios.

This year, for the first time, the IMO incorporated assumptions on the effects of battery storage technology on the peak demand forecast.

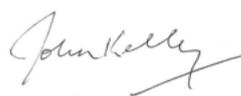
The key outcomes of the 2014 ESOO included:

- no new generation is expected to be required in the SWIS over the 10 year forecast period, based on the current level of installed and committed capacity;
- sent out energy is forecast to grow at an average annual rate of 1.3 per cent over the forecast period; and
- solar PV systems continue to have a significant impact on SWIS demand, with system size increasing and becoming more widespread. The level of solar PV penetration is expected to shift peak demand to later in the day.

The IMO continued its successful Graduate Development Program. The aim of the program is to employ the best young talent and develop them sufficiently to enable a long term career in WA's energy sector preferably with the IMO. This has proven an excellent way of attracting high level talent and developing an internal capability in the critical analytical skills required to work within the complex nature of energy markets. The program has continued to grow in popularity with 400 high calibre applications received this year for the two graduate positions.

On 30 September 2015, the Minister announced the transfer of the IMO's functions of administration of the Electricity Statement of Opportunities, the Gas Bulletin Board, the Gas Statement of Opportunities, and the operation of the Wholesale Electricity Market to the Australian Energy Market Operator (AEMO). It is expected that all the current functions of the IMO will cease at 30 June 2016.

Finally, in what has been a challenging and somewhat uncertain year, we would like to acknowledge and thank the dedicated staff at the IMO. The progress made this year would not have been possible without their substantial efforts.



JOHN KELLY  
CHAIR



ALLAN DAWSON  
CHIEF EXECUTIVE OFFICER

# Corporate Profile

The IMO was established on 1 December 2004 under the *Electricity Industry (Independent Market Operator) Regulations 2004*, to administer the Wholesale Electricity Market (WEM) and was appointed in May 2011 to administer the Gas Services Information (GSI) functions. The IMO is an industry-funded organisation appointed to operate and develop the WEM and the GSI functions in Western Australia.

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

- *Electricity Industry (Independent Market Operator) Regulations 2004*;
- *Electricity Industry (Wholesale Electricity Market) Regulations 2004*;
- Wholesale Electricity Market Rules;
- *Gas Services Information Regulations 2012*; and
- Gas Services Information Rules.

## 1.1. Electricity Market Objectives

The *Electricity Industry Act 2004* sets the objectives of the WEM. 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; and to encourage the taking of measures to manage the amount of electricity used and when it is used.

## 1.2. Gas Services Information Objectives

In May 2011, the Minister for Energy appointed the IMO as the operator of two new information services for the Western Australian natural gas market being a Gas Bulletin Board (GBB) and a Gas Statement of Opportunities (GSOO).

The *Gas Services Information Act 2012* sets the objectives of the GBB and GSOO. These objectives are to promote the long-term interests of consumers and natural gas in relation to:

- the security, reliability and availability of the supply of natural gas in the State;
- the efficient operation and use of natural gas services in the State;
- the efficient investment in natural gas services in the State; and
- the facilitation of competition in the use of natural gas services in the State.

The IMO implemented these services as part of the Gas Information Services Project (GISP) during 2012/13, with publication of the initial GSOO in July 2013 and the GBB launched in August 2013, under the Regulations and Rules made under that Act.

## 1.3. 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 appointed by the Minister for Energy and operates in accordance with the *Electricity Industry (Independent Market Operator) Regulations 2004*.

During 2014/15, the IMO Board members were:

- John Kelly (Chair);
- Shaun Dennison;
- Roland Sleeman; and
- Peter Kolf.

# Corporate Profile (continued)

## 1.4 IMO Organisational Structure

Figure 1. IMO Organisational Chart



At 30 June 2015, the IMO had a headcount of 47, corresponding to 45.4 Full Time Equivalent (FTE) staff after adjusting for part time positions against an approved FTE budget of 43.9, a variance of 1.5 FTE. The variance is a result of the following changes:

- an additional forecasting role (1.0 FTE) was approved by the IMO Board in May 2015 and will be added to the budget headcount in the 2015/16 Draft Operational Plan; and
- an increase of 0.5 FTE for the Communications Coordinator role during the reporting period.

## 1.5. 2014/15 Strategic Objectives

### Operating Markets

The IMO operates reliable and efficient markets and information services with integrity and transparency.

### Developing the WEM and GSI

The IMO leads short term improvement, supports long term evolution of the WEM and GSI using robust analysis, objective reasoning and consultation.

### Establish and Build Strong Relationships

The IMO develops enduring relationships with customers and stakeholders based on trust and open communication.

### Financial Responsibility and Risk Management

All financial transactions and corporate risks have prudent governance oversight.

### Skills and Resources

The IMO has the skills and resources to operate professionally and meet stakeholders' expectations.

# 2014/15 in Review

## 2.1 Key Performance Indicators 2014/15

### Strategic Objective: Operating Markets

Measure	Performance Expectation Per Year	Actual Performance
Number of Market delays and Suspensions	≤ 5	2
Forecast Balancing Merit Order (BMO) generation (excluding planned outages)	≥ 99.5%	99.99%
Late Settlement statements (Short Term Energy Market (STEM) & Non-STEM)	≤ 2	0
Gas Bulletin Board (GGB) Report generation (excluding planned outages)	≥ 99%	100%

### Strategic Objective: Developing the WEM and GSI

Measure	Performance Expectation Per Year	Actual Performance
Formal Review of Market Rules Evolution Plan for 2013 to 2016	Once per year with Market Advisory Committee (MAC)	1 (Completed at December 2014 MAC meeting)

### Strategic Objective: Establish and Build Strong Relationships

Measure	Performance Expectation Per Year	Actual Performance
Number of market training sessions presented to attendees	≥ 200 Participants	30 training courses held with 433 participants attending
Number of forums, workshops and user groups held with the Energy Sector	6 per year	<p>17 industry forums, user groups and workshops were facilitated by the IMO during 2014/15 including:</p> <ul style="list-style-type: none"> <li>• Compliance update</li> <li>• Reserve Capacity Certification workshop</li> <li>• Managing Market Information workshop</li> <li>• Two WEMS IT User group</li> <li>• GSOO Briefing</li> <li>• WEMS IT Briefing</li> <li>• 2014 Relevant Methodology Review</li> <li>• Operations and Technology End of Year Update</li> <li>• Six Muja Transformer stakeholder briefings</li> <li>• Development of Gas Market Industry Workshop</li> <li>• SWIS Electricity Demand Outlook</li> </ul>
RulesWatch newsletters sent to stakeholders	≥ 40 per annum	45 RulesWatch newsletters were sent to stakeholders
Market Advisory Committee (MAC) and Gas Advisory Board (GAB) meetings held	≥ 10 per annum	12 meetings held - 7 MAC and 5 GAB

## 2014/15 in Review (continued)

### Strategic Objective: Financial Responsibility and Risk Management

Measure	Performance Expectation Per Year	Actual Performance
Expenditure Control	≤ Allowable Revenue	Expenditure Control was 99.2% of Allowable Revenue
Capital Expenditure Control	≤ Forecast Capital Expenditure	Forecast Capital Expenditure was 92.4% of approved expenditure
Risk Management Updates to Board	3 updates per annum	3 updates provided to Board
Deliver Quarterly Report to Minister	3 reports per annum	3 reports provided to Minister

### Strategic Objective: Skills and Resources

Measure	Performance Expectation Per Year	Actual Performance
Employee happiness and satisfaction	Turnover to be ≤ 15%	11.0% (5 resignations)
Effective graduate program	To retain Graduates on average 3 years	Average retention currently just under 2.5 years (2 graduates)
Recruitment strategy effectiveness	≤ 4 months to fill a position	Average of 2 months

# Corporate Governance

## 3.1 Legislative Framework

The IMO was established in December 2004 under the *Electricity Industry (Independent Market Operator) Regulations 2004* and the provisions of the *Electricity Industry Act 2004*.

The IMO is a body corporate and its functions are conferred by the above Regulations, the *Electricity Industry (Wholesale Electricity Market) Regulations 2004*, the Wholesale Electricity Market Rules, the *Gas Services Information Regulations 2012* and the Gas Services Information Rules. It is responsible to the Minister for Energy.

The IMO is required under its Regulations to submit an Operational Plan and budget for the following financial year to the Minister for Energy for approval by 30 April each year.

The Regulations exempt the IMO from the *Public Sector Management Act 1994*, but require it to put in place minimum standards that reflect the principles of the Act and to report annually to the Public Sector Commissioner.

The IMO adopts financial reporting provisions equivalent to those of the Corporations Law and is exempt from the *Financial Management Act 2006*, but annual audits are conducted by the Auditor General in accordance with the *Auditor General Act 2006*.

## 3.2 Board of Directors

From 30 June 2012, the *Electricity Industry (Independent Market Operator) Regulations 2004* enable the appointment of a fourth Director to the IMO Board, reflecting the IMO's new role as the Operator of the Gas Services Information. During 2014/15, the IMO's governing body was a Board of four Directors appointed by the Minister for Energy.

## 3.3 Code of Conduct and Human Resource Standards

The Regulations require the Board, in consultation with the Public Sector Commissioner, to develop and establish minimum human resource standards for staff and a Code of Conduct. The Board approved the employee handbook in June 2009 in accordance with the Regulations. The Employee Handbook is reviewed annually to ensure compliance with any legislative changes. The Employee Handbook was last updated in October 2014.

Under the Regulations, a report must be submitted annually to the Minister for Energy and the Public Sector Commissioner regarding the observance by members of staff of the Code of Conduct and the Standards.

There were no breaches of either the Human Resources Standards or the Code of Conduct during the year.

## 3.4 Occupational Safety and Health

The IMO is committed to providing a safe and healthy working environment.

During the year, the Occupational Health and Safety Committee welcomed a new member and has continued to meet quarterly, ensuring all OSH matters are addressed and raising awareness of the IMO's employees on safety hazard or risks.

There were no fatalities or workers compensation claims lodged during the reporting period.

## 3.5 Internal Audit

The IMO's current Strategic Audit Plan covers the period 2011/12 – 2014/15. During the year, internal audit reviews were conducted in the risk area of Prudential Management. No issues of note were identified.

## 3.6 Other

- The IMO is a "notifying authority" for the purposes of the *Corruption and Crime Commission Act* and the *Public Interest Disclosure Act*. There were no incidents requiring disclosure reports under this legislation during the year.
- The provisions of the *Freedom of Information Act 1992* apply to the IMO. During the year, no applications were received. A statement in accordance with the *Freedom of Information Act 1992*, giving information about the IMO and making a Freedom of Information request is available on the IMO website.
- The State Records Commission approved the IMO's Recordkeeping Plan in 2013 satisfying the IMO's obligations under the *State Records Act 2000*. Employee responsibilities in respect of record keeping are outlined in the Employee Handbook, form part of formal induction processes for new starters, and are periodically presented to staff in support of the recordkeeping training program.
- Under the *Electoral Act 1907* the IMO is required to report on expenditure on advertising, market research, polling, direct mail and media advertising. During the 2014/15 financial year, expenditure of \$1,320 was incurred on staff recruitment advertising and \$5,512 on tender advertising, calling for public submission on the Energy Price Limits and Maximum Reserve Capacity Price reports as required under the Market Rules and procedures.
- The *Equal Opportunity Act 1994* requires the IMO to prepare and implement an equal opportunity management plan and report annually on progress with the plan. An updated equal employment opportunity Management Plan for the period 2015-2017 was established in February 2015 and annual reporting obligations for 2014-15 were satisfied in February 2015.

# Directors' Report

The Directors of the Independent Market Operator present their report for the twelve months to 30 June 2015.

## Directors

The following were Directors of the IMO during the financial year to 30 June 2015

### John Kelly

- Appointed Director December 2004
- Appointed Chair April 2006

Mr John Kelly has spent his working career in the power industry retiring from Western Power, as General Manager Distribution, in 2000. Mr Kelly was a member of the Electricity Reform Taskforce that provided a blueprint for a competitive electricity industry to Government in 2002. He became the independent member of the Electricity Reform Implementation Steering Committee.

Mr Kelly has a Bachelor of Engineering (Mechanical), a Diploma in Business Management, is a Fellow of the Institute of Engineers Australia and a Graduate Member of the Australian Institute of Company Directors.

### Shaun Dennison

- Appointed Director March 2006
- Appointed Deputy Chair June 2006

Mr Shaun Dennison has over 20 years' experience in advising governments, regulators and business on economic regulation, energy sector reform, strategic business and risk allocation issues and in providing specialist project management services. He is one of two independent members of the Information Exchange Committee, established under the National Electricity Rules, appointed by the electricity industry.

Mr Dennison has a Bachelor of Commerce and is a Graduate Member of the Australian Institute of Company Directors.

### Roland Sleeman

- Appointed Director May 2013

Mr Roland Sleeman has over 34 years' experience in the oil and gas, utilities and infrastructure sectors, advising government and businesses involved in the oil, gas and utilities sectors across Australia. He has also held a number of senior executive positions across these sectors.

Mr Sleeman has a Bachelor of Engineering (Mechanical), a Master of Business Administration and is a Member of the Australian Institute of Company Directors

### Peter Kolf

- Appointed Director July 2014

Mr Peter Kolf has extensive experience in the oil and gas industry, the utility industry and in economic regulation. His professional career commenced with the Gas and Fuel

Corporation of Victoria which led to energy (electricity, oil and gas) related management and senior management roles at both State and Commonwealth levels of government. In addition, he has held senior positions in telecommunications, the regulation of national air fares and in the water industry covering areas including market management, pricing and corporate planning.

In 1998, Mr Kolf took on the role of Executive Director of Western Australia's Office of Gas Access Regulation which led to his appointment as General Manager and subsequently Chief Executive Officer of the State's Economic Regulation Authority. He is currently Director of KPK Specialist Advisory Services Pty Ltd.

Mr Kolf has a Bachelor of Commerce (Hons.) and a Master of Economics. He is a Certified Practising Accountant and a Fellow of the Australian Institute of Energy.

## Directors' Meetings

Attendances by Directors at meetings held during the financial year ending 30 June 2015 were:

	Meetings Attended	Meetings Eligible
John Kelly	12	12*
Shaun Dennison	12	12*
Roland Sleeman	12	12*
Peter Kolf	12	12*

\* Includes one special meeting held September 2014.

## Principal Activities

The principal activity of the IMO during the year was the operation of the Wholesale Electricity Market and providing the functions for the Gas Services Information including the Gas Bulletin Board and the Gas Statement of Opportunities.

## Review of Operations

The IMO has operated during 2014/15 in accordance with its obligations under the *Electricity Industry (Independent Market Operator) Regulations 2004*, the *Wholesale Electricity Market Rules*, the *Gas Services Information Regulations 2012* and the *Gas Services Information Rules*.

On 13 March 2015, the Minister for Energy issued a Ministerial Direction to the IMO being the Independent Market Operator (2015 Reserve Capacity Cycle) Direction 2015.

The purpose of the direction was to defer certain aspects of the 2015 Reserve Capacity Cycle, which the IMO has implemented.

## Results of Operations

The operating result for the year was a deficit of \$1,582,000 which compares to a budgeted deficit of \$1,401,000 as

# Directors' Report (continued)

approved in the IMO 2014/15 Operational Plan (an increase of \$181,000).

The IMO is required under the Market Rules to return or recoup an operating surplus or deficit from Market Participants via an adjustment to subsequent year budget revenue requirements. A surplus operating result of \$1,401,000 was recorded for the 2012/13 financial reporting period, which was returned to Market Participants and is reflected in the 2014/15 operating result.

During the reporting period, WEM Market Fees were \$486,000 lower, influenced by lower than forecast electricity volumes attributed to a milder summer period, year on year changes in demand and a higher than forecast uptake of rooftop solar PV. Additional interest and other income of \$156,000 over budget was received, primarily as a result of higher cash balances held over the period from Reserve Capacity Security defaults and prepayment amounts held on behalf of Market Participants as settlement security.

Expenditure was under budget by \$149,000, influenced most notably by a lower than budgeted Supplies and Services expenditure of \$1,571,000 from a reduced level of consultancies engaged over the period and lower than budgeted levels of expenditure for recruitment, legal and travel. Expenditure on Accommodation was also under budget by \$61,000.

These savings are partially offset by the increase in Depreciation and Amortisation expenditure of \$489,000 due to the change in useful economic life of office fit out and computer equipment assets. Employee Benefits expenses were over budget by \$927,000 related mainly to leave entitlement provisions (annual leave and long service leave) as the increase in length of staff service impacted the entitlement calculations.

Additional unbudgeted expenditure of \$300,267 was also incurred during the period for work and consultancies undertaken as part of the Electricity Market Review Phase 2 activities.

## Dividends

There were no dividends paid or declared by the IMO.

## Significant Changes in the IMO's State of Affairs

In March 2015, the Minister for Energy announced the outcomes of the EMR Phase 1 activities and what the workstreams for Phase 2 of the review would entail. There are four workstreams under Phase 2 of the review being:

- Network Regulation;
- Market Competition;
- Institutional Arrangements; and
- Wholesale Electricity Market Improvements.

To date, \$300,267 has been incurred for work and consultancies undertaken as part of the Electricity Market Review Phase 2 activities. Further costs have been provided for in the IMO 2015/16 Draft Operational Plan.

## Matters or Circumstances that Arose which May Affect Future Financial Years

On 30 September 2015, the Minister for Energy announced the transfer of the IMO's functions of administration of the Electricity Statement of Opportunities, the Gas Bulletin Board, the Gas Statement of Opportunities, and the operation of the Wholesale Electricity Market to the Australian Energy Market Operator (AEMO). The IMO is working with the Minister, the EMR project team and the Public Utilities Office in respect of these matters. This will significantly affect the IMO's electricity market and its gas functions, the results of those operations, and the state of affairs of the IMO in the financial year subsequent to 30 June 2015.

## Environmental Regulations

Environmental Regulations do not impact directly on the IMO's operations.

## Indemnification and Insurance of Officers

During or since the end of the financial year, the IMO has not indemnified or, apart from under the terms of the *Electricity Industry (Independent Market Operator) Regulations 2004* or the *Gas Services Information Regulations 2012*, made a relevant agreement with any present or former IMO officer or auditor for indemnifying them against a liability.

During the reporting period, the IMO paid a Directors and Officers Liability Insurance policy, which seeks to cover the Directors, the CEO, and any employee of the IMO for costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as an officer for the IMO. In accordance with Section 15 of the *Statutory Corporations (Liability of Directors) Act 1996*, the IMO had previously obtained the Minister for Energy's approval to pay the premium.

There were no claims made against Directors during the reporting period.

# Directors' Report (continued)

## Emoluments

In accordance with Section 13 (c) of Schedule 3 of the *Electricity Industry (Independent Market Operator) Regulations 2004*, included below is the nature and amount of each element of the emolument of each Director and each of the five named officers receiving the highest emolument.

## Directors' Emoluments

The Minister for Energy determines the emolument of the Board of Directors. Details of emoluments provided to Directors during 2014/15 are:

	Primary Fees	Post-employment Superannuation	Total
John Kelly	\$66,360	\$6,304	\$72,664
Shaun Dennison	\$36,754	\$3,491	\$40,245
Roland Sleeman	\$36,754	\$3,491	\$40,245
Peter Kolf <sup>1</sup>	\$35,683	\$3,390	\$39,073
David Huggins <sup>2</sup>	\$1,414	\$134	\$1,548

Notes:

1. Mr Peter Kolf was appointed as a Director of the IMO Board from 1 July 2014. The difference in fees to existing Directors is a result of the first pay period in 2014/15 included 8 days up to 30 June 2014 that was paid in the first pay of 2014/15.
2. Mr David Huggins ceased to be a Director of the IMO Board from 30 June 2014. The fees paid in the first pay period in 2014/15 included 8 days up to 30 June 2014 that was paid in the first pay of 2014/15.

From 1 July 2015, the Chairman's annual emolument is \$72,897, with Non-Executive Directors receiving \$40,375. These rates are inclusive of post-employment superannuation at 9.5%.

## Director Benefits

During the financial year, no Director has received or became entitled to receive a benefit other than benefits disclosed in the financial statements as emoluments or the fixed salary of a full time employee of the IMO, by reason of a contract made by the IMO with the Director or with a firm of which he/she is a member, or with an entity in which he/she has a substantial financial interest.

## Executives' Emoluments

The Board, with the approval of the Minister for Energy, determines the emolument package of the Chief Executive Officer. The Board determined the remuneration of the other senior executives in 2014/15 based on performance, benchmarking with other organisations and competitive requirements.

Details of emoluments provided to the named officers receiving the highest emolument during 2014/15 are:

	Salary	Post-employment Superannuation	Total
Allan Dawson <sup>1</sup>	\$370,657	\$46,443	\$417,100
Martin Maticka	\$232,533	\$22,090	\$254,623
Kate Ryan	\$225,612	\$21,433	\$247,045
Kylie O'Keeffe	\$200,388	\$19,036	\$219,424
Andrew Van de Werve	\$180,856	\$17,181	\$198,037

Notes:

1. In December 2014, the IMO Board wrote to the Minister for Energy proposing a CPI linked salary increase for the IMO Chief Executive Officer (Mr Allan Dawson). On 23 December 2014 the IMO received notification from the Minister for Energy approving a salary increase of 2.75% for the CEO. This increase was backdated to 3 March 2014, with the backdated component paid during 2014/15.

# Directors' Report (continued)

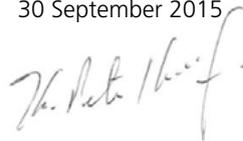
## Resolution

This report is made in accordance with a resolution of the Board on 20 August 2015.

JOHN KELLY  
**CHAIR**  
30 September 2015



PETER KOLF  
**DIRECTOR**  
30 September 2015



## Financial Statements for the year ended 30 June 2015

The Directors of the Independent Market Operator declare that the financial statements and notes:

- (a) comply with applicable accounting standards and the *Corporations Regulations 2001*;
- (b) give a true and fair view of the financial position of the Independent Market Operator as at 30 June 2015 and of its performance for the year ended 30 June 2015;
- (c) are in accordance with *Electricity Industry (Independent Market Operator) Regulations 2004* and *Gas Services Information Regulations 2012*; and
- (d) in the Directors' opinion there are reasonable grounds to believe that the Independent Market Operator will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors.



John Kelly  
**DIRECTOR**



Peter Kolf  
**DIRECTOR**

Dated this 23rd day of September 2015

	Note	2015 \$000	2014 \$000
<b>INCOME</b>			
User charges and fees	2	17,079	18,695
Interest revenue	3	188	199
Other income	4	18	18
<b>Total Income</b>		<b>17,285</b>	<b>18,912</b>
<b>EXPENSES</b>			
Employee benefits expense	5	(7,097)	(6,392)
Depreciation and amortisation expense	6	(5,529)	(4,362)
Supplies and services	7	(4,404)	(4,828)
Advertising expense	8	(6)	(7)
Accommodation expense	9	(797)	(770)
Finance costs	10	(545)	(626)
Other expenses	11	(467)	(492)
Loss on disposal of non-current assets	12	(22)	(12)
<b>Total Expenses</b>		<b>(18,867)</b>	<b>(17,489)</b>
<b>(DEFICIT)/SURPLUS FOR THE YEAR TO BE (RECOVERED FROM)/RETURNED TO MARKET PARTICIPANTS <sup>1</sup></b>		<b>(1,582)</b>	<b>1,423</b>
<b>OTHER COMPREHENSIVE (LOSS)/INCOME</b>			
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD</b>		<b>(1,582)</b>	<b>1,423</b>

The accompanying notes form part of these financial statements.

## 1. RECOVERY OF DEFICIT/RETURN OF SURPLUS

The IMO is a not for profit entity that is required under the Market Rules for the Wholesale Electricity Market (WEM) and Gas Services Information (GSI) to recover an operating deficit from market participants or return an operating surplus to market participants via an adjustment to the budgeted revenue in a future financial year (see Note 1(b)).

The 2013/14 surplus to be returned to market participants in 2015/16 and the 2014/15 deficit to be recovered from market participants in 2016/17 as:

(Recovery of Accumulated Deficit from)/Return of Accumulated Surplus to WEM Market Participants	(1,888)	979
Return of Accumulated Surplus to GSI Market Participants	306	444
	<b>(1,582)</b>	<b>1,423</b>

The recovery of deficit has been transferred to the WEM Accumulated Surplus and the return of surplus has been transferred to the GSI Accumulated Surplus in the Statement of Changes in Equity having no impact on the IMO Accumulated Surplus at the year end.

The IMO expects to record an operating deficit in 2015/16 equal to 2013/14 surplus and an operating surplus in 2016/17 equal to the 2014/15 deficit.

	Note	2015 \$000	2014 \$000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	13	1,626	11,799
Trade and other receivables	14	3,194	3,521
Other current assets	15	272	307
<b>Total Current Assets</b>		<b>5,092</b>	<b>15,627</b>
<b>Non-Current Assets</b>			
Plant and equipment	16	958	1,702
Intangible assets	17	11,456	14,306
<b>Total Non-Current Assets</b>		<b>12,414</b>	<b>16,008</b>
<b>TOTAL ASSETS</b>		<b>17,506</b>	<b>31,635</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	18	1,262	1,325
Borrowings	19	5,176	4,805
Other liabilities	20	914	10,684
Provisions	21	540	332
<b>Total Current Liabilities</b>		<b>7,892</b>	<b>17,146</b>
<b>Non-Current Liabilities</b>			
Borrowings	19	6,887	10,137
Other liabilities	20	532	617
Provisions	21	318	276
<b>Total Non-Current Liabilities</b>		<b>7,737</b>	<b>11,030</b>
<b>TOTAL LIABILITIES</b>		<b>15,629</b>	<b>28,176</b>
<b>NET ASSETS</b>		<b>1,877</b>	<b>3,459</b>
<b>EQUITY</b>			
Accumulated surplus		1,755	1,755
WEM accumulated (deficit)/surplus	22	(628)	1,260
GSI accumulated surplus	22	750	444
<b>TOTAL EQUITY</b>		<b>1,877</b>	<b>3,459</b>

The accompanying notes form part of these financial statements.

		WEM Accumulated Surplus/ (Deficit) \$000	GSI Accumulated Surplus/ (Deficit) \$000	Accumulated Surplus/ (Deficit) \$000	Total \$000
	Note				
<b>Balance at 1 July 2013 – Restated</b>		281	-	1,755	2,036
Total comprehensive income for the period		-	-	1,423	1,423
<b>Transfer to/(from) accumulated surplus</b>					
Surplus attributable to WEM	22	979	-	(979)	-
Surplus attributable to GSI	22	-	444	(444)	-
<b>Balance at 30 June 2014</b>		<b>1,260</b>	<b>444</b>	<b>1,755</b>	<b>3,459</b>
<b>Balance at 1 July 2014</b>		<b>1,260</b>	<b>444</b>	<b>1,755</b>	<b>3,459</b>
Total comprehensive loss for the period		-	-	(1,582)	(1,582)
<b>Transfer to/(from) accumulated surplus</b>					
Deficit attributable to WEM	22	(1,888)	-	1,888	-
Surplus attributable to GSI	22	-	306	(306)	-
<b>Balance at 30 June 2015</b>		<b>(628)</b>	<b>750</b>	<b>1,755</b>	<b>1,877</b>

The accompanying notes form part of these financial statements.

	<b>Note</b>	<b>2015</b> <b>\$000</b>	<b>2014</b> <b>\$000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Provision of services		17,545	17,816
Interest received		188	199
Other receipts		18	18
Market settlement default (refund)/receipts		(6,559)	6,559
Prepaid amounts (to)/from market participants		(3,072)	3,761
Goods and Services Tax net (payments)/receipts		(143)	25
<b>Payments</b>			
Employee benefits expense		(6,832)	(6,194)
Supplies and services		(4,530)	(4,690)
Finance costs		(545)	(626)
Accommodation expense		(882)	(855)
Advertising expense		(6)	(7)
Other expenses		(519)	(534)
<b>Net cash (used in)/provided by operating activities</b>	24(b)	<b>(5,337)</b>	<b>15,472</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of non-current physical assets		(237)	(187)
Purchase of intangible assets		(1,720)	(2,754)
<b>Net cash (used in) investing activities</b>		<b>(1,957)</b>	<b>(2,941)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of borrowings		(2,879)	(1,480)
<b>Net cash used in financing activities</b>		<b>(2,879)</b>	<b>(1,480)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(10,173)</b>	<b>11,051</b>
Cash and cash equivalents at the beginning of period		11,799	748
<b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD</b>	24(a)	<b>1,626</b>	<b>11,799</b>

The accompanying notes form part of these financial statements.

The financial statements cover the Independent Market Operator ("IMO") as an individual entity. The IMO is a statutory corporation incorporated and domiciled in Australia. The IMO was established on 1 December 2004 by the *Electricity Industry (Independent Market Operator) Regulations 2004* to administer and operate the Western Australian Wholesale Electricity Market.

## Note 1: Summary of Significant Accounting Policies

### (a) General Statement

The IMO is a not for profit entity that prepares general purpose financial statements in accordance with Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board ("AASB"), the Corporations Regulations 2001, the *Electricity Industry (Independent Market Operator) Regulations 2004* and the *Gas Services Information Regulations 2012*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards ("IFRS").

Where modification is required and has had a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

### (b) Basis of Preparation

The financial statements have been prepared on the accruals basis of accounting using the historical cost convention, except for land, buildings and infrastructure which have been measured at fair value.

The accounting policies adopted in the preparation of these financial statements have been consistently applied throughout all periods presented unless otherwise stated.

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000).

The judgements that have been made in the process of applying the IMO's accounting policies that have the most significant effect on the amounts recognised in the financial statements are disclosed at Note 1(v) 'Judgements Made by Management in Applying Accounting Policies'.

The key assumptions made concerning the future and other key sources of estimation uncertainty at the end of the reporting period, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed at Note 1(w) 'Key Sources of Estimation Uncertainty'.

### Allocation of Accumulated Surplus/(Deficit) to WEM and GSI Accumulated Surplus/(Deficit)

The Board has recognised the need to make an allocation from the Accumulated Surplus/(Deficit) to the WEM Accumulated Surplus/(Deficit) and the GSI Accumulated Surplus/(Deficit), to recognise that any surplus or deficit is returned to or reclaimed from market participants. The Board believes this will provide more relevant information to IMO's stakeholders as it reflects the annual process for establishing the market fee rate that the IMO is allowed to charge to recover costs for services provided. Refer to Note 1(v) 'Judgements made by Management in Applying Accounting Policies', Note 1(w) 'Key Sources of Estimation Uncertainty' and Note 22 'WEM and GSI Accumulated Surplus/(Deficit)'.

### (c) Reporting Entity

The reporting entity comprises the Independent Market Operator.

### (d) Revenue and Other Income

#### Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for the major business activities as follows:

#### *User Charges and Fees*

Revenue recognition relating to the provision of rendering services and licences is recognised when the IMO has delivered the service, issued the licence or with reference to the stage of completion of the transaction, at the end of the reporting period and where outcome of the contract, or when the significant risks and rewards of ownership transfer to the purchaser can be measured reliably.

#### *Interest*

Interest revenue includes interest on monies held on deposit with financial institutions and is recognised as it accrues.

#### *Gains*

Gains may be realised or unrealised and are usually recognised on a net basis. These include gains arising on the disposal of non-current assets.

All revenue is stated net of the amount of Goods and Services Tax ("GST").

### (e) Income Tax

The IMO is established under the *Electricity Industry (Independent Market Operator) Regulations 2004* and is granted sole provider status under Clause 19 of the *Electricity Industry (Wholesale Electricity Market) Regulations 2004*. Furthermore, the IMO is a not for profit organisation and operates on a cost recovery basis. As a result, the IMO is not listed as a national tax equivalent regime ("NTER") and is not required to pay, Pay As You Go ("PAYG") tax equivalents to the Treasurer.

## Note 1: Summary of Significant Accounting Policies (continued)

### (f) Borrowing Costs

Borrowing costs for qualifying assets are capitalised net of any investment income earned on the unexpended portion of the borrowings. All other borrowing costs are expensed when incurred in the financial statements in accordance with AASB 123. This standard allows not for profit public sector entities an option to expense borrowing costs in the period in which they are incurred even if they relate to qualifying assets.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the IMO's outstanding borrowings during the year, in this case 3.25% (2014: 3.33%).

### (g) Plant and Equipment

#### Capitalisation/Expensing of Assets

Items of plant and equipment costing \$5,000 or more are recognised and capitalised as assets and the cost of utilising the assets is expensed (depreciated) over their useful lives.

Items of plant and equipment costing less than \$5,000 are immediately expensed directly to the Statement of Comprehensive Income (other than where they form part of a group of similar items which are significant in total).

#### Initial Recognition and Measurement

All items of plant and equipment are initially recognised at cost. For items of plant and equipment acquired at no cost or for nominal cost, cost is the fair value at the date of acquisition.

#### Subsequent Measurement

Subsequent to initial recognition as an asset, the IMO uses the cost model for all plant and equipment. Items of plant and equipment are carried at historical cost less accumulated depreciation and accumulated impairment losses.

#### Depreciation

All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits.

Depreciation is calculated using the straight line method, using rates which are reviewed annually.

Estimated useful lives for each class of depreciable asset are:

Furniture, fittings and office equipment	5 years
Computer equipment	3 years
Leasehold improvements	5 years (or remaining term of lease, if less)

### (h) Intangible Assets

#### Capitalisation/Expensing of Assets

Acquisitions of intangible assets costing \$5,000 or more and internally generated intangible assets costing \$5,000 or more are capitalised. The cost of utilising the assets is expensed (amortised) over their useful lives. Costs incurred below these thresholds are immediately expensed directly to the Statement of Comprehensive Income.

All acquired and internally developed intangible assets are initially recognised at cost. For assets acquired at no cost or for nominal cost, cost is their fair value at the date of acquisition.

The cost model is applied for subsequent measurement requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is calculated for the period of the expected benefit (estimated useful life which is reviewed annually) on a straight-line basis. All intangible assets controlled by the IMO have a finite useful life and zero residual value.

The expected useful lives for each class of intangible asset are:

Software	5 years
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#### Licences

Licences have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses.

#### Development Costs

Research costs are expensed as incurred. Development costs incurred for an individual project are carried forward when the future economic benefits can reasonably be regarded as assured and the total project costs are likely to exceed \$50,000. Other development costs are expensed as incurred.

#### Software

Software that is an integral part of the related hardware is recognised as plant and equipment. Software that is not an integral part of the related hardware is recognised as an intangible asset. Software costing less than \$5,000 is expensed in the year of acquisition.

### (i) Impairment of Assets

Plant and equipment and intangible assets are tested for any indication of impairment at the end of each reporting period. Where there is an indication of impairment, the recoverable amount is estimated.

Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised.

Where an asset measured at cost is written down to recoverable amount, an impairment loss is recognised in profit or loss. Where a previously revalued asset is written down to recoverable amount, the loss is recognised as a revaluation decrement in other comprehensive income.

## **Note 1: Summary of Significant Accounting Policies (continued)**

### **(i) Impairment of Assets (continued)**

As the IMO is a not for profit entity, unless a specialised asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and depreciated replacement cost.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated, where the replacement cost is falling or where there is a significant change in useful life.

Each relevant class of assets are reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of the asset's future economic benefits and to evaluate any impairment risk from falling replacement costs. Intangible assets with an indefinite useful life and intangible assets not yet available for use are tested for impairment at each reporting period irrespective of whether there is any indication of impairment.

The recoverable amount of assets identified as surplus assets is the higher of fair value less costs to sell and the present value of future cash flows expected to be derived from the asset. Surplus assets carried at fair value have no risk of material impairment where fair value is determined by reference to market-based evidence.

Where fair value is determined by reference to depreciated replacement cost, surplus assets are at risk of impairment and the recoverable amount is measured. Surplus assets at cost are tested for indications of impairment at the end of each reporting period.

### **(j) Leases**

Finance lease rights and obligations are initially recognised, at the commencement of the lease term, as assets and liabilities equal in amount to the fair value of the leased item or, if lower, the present value of the minimum lease payments, determined at the inception of the lease. The assets are disclosed as plant and equipment under lease, and are depreciated over the period during which the IMO is expected to benefit from their use. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding lease liability, according to the interest rate implicit in the lease.

The IMO holds an operating lease for office accommodation. Lease payments are expensed on a straight line basis over the lease term as this represents the pattern of benefits derived from the leased property. Lease incentives are recognised as received and amortised over the term of the lease.

### **(k) Financial Instruments**

In addition to cash, the IMO has two categories of financial instruments:

- Loans and receivables; and
- Financial liabilities measured at amortised cost.

Financial instruments have been disaggregated into the following classes:

- Financial Assets
  - Cash and cash equivalents; and
  - Receivables.
- Financial Liabilities
  - Payables; and
  - WATC borrowings.

Initial recognition and measurement of financial instruments is at fair value which normally equates to the transaction cost or the face value. Subsequent measurement is at amortised cost using the effective interest method.

The fair value of short-term receivables and payables is the transaction cost or the face value because there is no interest rate applicable and subsequent measurement is not required as the effect of discounting is not material.

### **(l) Cash and Cash Equivalents**

For the purpose of the Statement of Cash Flows, cash and cash equivalents comprise cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

### **(m) Accrued Salaries**

Accrued salaries (refer Note 18) represent the amount due to employees but unpaid at the end of the financial year, as the pay date for the last pay period for that financial year does not coincide with the end of the financial year. Accrued salaries are settled within a few days of the financial year-end. The IMO considers the carrying amount of accrued salaries to be equivalent to its net fair value.

### **(n) Trade and Other Receivables**

Trade and other receivables are recognised and carried at original invoice amount less an allowance for any uncollectable amount (i.e. impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written off against the allowance account. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the IMO will not be able to collect the debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days.

### **(o) Trade and Other Payables**

Trade and other payables are recognised at the amounts payable when the IMO becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as settlement is generally within 30 days.

## Note 1: Summary of Significant Accounting Policies (continued)

### (p) Borrowings

All loans payable are initially recognised at fair value, being the net proceeds received. Subsequent measurement is at amortised cost using the effective interest rate method.

### (q) Provisions

Provisions are liabilities of uncertain timing or amount and are recognised when the IMO has a present legal or constructive obligation as a result of a past event and when the outflow of resources embodying economic benefits is probable and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period.

#### Provisions – Employee Benefits

All annual leave and long service leave provisions are in respect of employees' services up to the end of the reporting period.

#### *Annual Leave*

Annual leave is not expected to be settled wholly within 12 months after the end of the reporting period and is therefore considered to be 'other long term employee benefits'. The annual leave liability is recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions, as well as the experience of employee departures and periods of service. The expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The provision for annual leave is classified as a current liability as the IMO does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

#### *Long Service Leave*

A liability for long service leave is recognised after an employee has completed four years of service based on remuneration rates current as at the end of the reporting period.

An actuarial assessment of long service leave undertaken by PriceWaterhouse Coopers Securities Ltd at 30 June 2015 determined that the liability measured using the short-hand measurement technique above was not materially different from the liability determined using the present value of expected future payments. This calculation is consistent with the IMO's experience of employee retention and leave taken.

Unconditional long service leave provisions are classified as current liabilities as the IMO does not have an unconditional right to defer the settlement of the liability for at least 12 months after the end of the reporting period. Pre-conditional

and conditional long service leave provisions are classified as non-current liabilities because the IMO has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

#### *Sick leave*

Liabilities for sick leave are recognised when it is probable that sick leave paid in the future will be greater than the entitlement that will accrue in the future.

Past history indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to continue in future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised. As sick leave is non-vesting, an expense is recognised in the Statement of Comprehensive Income for this leave as it is taken.

#### *Superannuation*

The Government Employees Superannuation Board ("GESB") and other fund providers administer public sector superannuation arrangements in Western Australia in accordance with legislative requirements. Eligibility criteria for membership in particular schemes for public sector employees vary according to commencement and implementation dates. Eligible employees may contribute to the Pension Scheme, a defined benefit pension scheme closed to new members since 1987, or the Gold State Superannuation Scheme ("GSS"), a defined benefit lump sum scheme closed to new members since 1995.

Employees commencing employment prior to 16 April 2007 who were not members of either the Pension Scheme or the GSS became non contributory members of the West State Superannuation Scheme ("WSS"). Employees commencing employment on or after 16 April 2007 became members of the GESB Super Scheme ("GESBS"). Both of these schemes are accumulation schemes. From 30 March 2012, existing members of the WSS or GESBS and new employees have been able to choose their preferred superannuation fund provider. The IMO makes concurrent contributions to GESB or other fund providers on behalf of employees in compliance with the Commonwealth Government's *Superannuation Guarantee (Administration) Act 1992*. Contributions to these accumulation schemes extinguish the IMO's liability for superannuation charges in respect of employees who are not members of the Pension Scheme or GSS.

The Pension Scheme and the pre-transfer benefit for employees who transferred to the GSS are defined benefit schemes. These benefits are wholly unfunded and the liabilities for future payments are provided at the end of the reporting period.

The expected future payments are discounted to present value using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The GSS, the WSS and the GESBS, where the current service superannuation charge is paid by the IMO to the GESB, are defined contribution schemes. The liabilities for current service

**Note 1: Summary of Significant Accounting Policies (continued)**

**(q) Provisions (continued)**

superannuation charges under the GSS, the WSS and the GESBS are extinguished by the concurrent payment of employer contributions to the GESB.

The GSS is a defined benefit scheme for the purposes of employees and whole of government reporting. However, from an agency perspective, apart from the transfer benefits, it is a defined contribution plan under AASB 119.

The IMO offers choice of superannuation fund provider for its employees, with GESB being the IMO's default superannuation fund provider.

Provisions – Other

*Employment On-Costs*

Employment on-costs, including workers' compensation insurance, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred.

Employment on-costs are included as part of the IMO's 'Supplies and Services – Other' expenses as shown in Note 7, and are not included as part of the IMO's 'Employee Benefits Expense'. The related liability is included in the employment on-costs provision as shown in Note 21 'Provisions'.

**(r) Superannuation Expense**

The superannuation expense of the defined benefit plans is made up of the following elements:

- Current service cost;
- Interest cost (unwinding of the discount);
- Actuarial gains and losses; and
- Past service cost.

Actuarial gains and losses of the defined benefit plans are recognised immediately as income or expense in profit or loss.

The superannuation expense of the defined contribution plans is recognised as and when the contributions fall due.

The superannuation expense in the Statement of Comprehensive Income comprises employer contributions paid to the GSS (concurrent contributions), the WSS, the GESBS and other superannuation funds.

**(s) Assets and Services Received Free of Charge or for Nominal Cost**

Assets or services received free of charge or for nominal cost that the IMO would otherwise purchase if not donated, are recognised as income at the fair value of the assets or services where they can be reliably measured. A corresponding expense is recognised for services received. Receipts of assets are recognised in the Statement of Financial Position.

Where assets or services are received from another State Government agency, these are separately disclosed under

'Income from State Government' in the Statement of Comprehensive Income.

**(t) WEM and GSI Accumulated Surplus/(Deficit)**

The board has recognised the need to make an allocation from the Accumulated Surplus/(Deficit) to the WEM and GSI Accumulated Surplus/(Deficit) in relation to the full surplus or (deficit) in any financial year.

*WEM Accumulated Surplus/(Deficit)*

The WEM Accumulated Surplus/(Deficit) recognises that any surplus or (deficit) is returned to or reclaimed from market participants in full through the annual process for establishing the market fee that the IMO is allowed to charge to recover costs for services provided.

*GSI Accumulated Surplus/(Deficit)*

The GSI Accumulated Surplus/(Deficit) recognises that any surplus or (deficit) on the provision of information to the Gas Market is returned to or reclaimed from market participants in full through the annual process to agree allowable revenue under the Market Rules.

**(u) Comparative Figures**

Comparative figures are, where appropriate, reclassified to be comparable with the figures presented in the current financial year.

**(v) Judgements Made by Management in Applying Accounting Policies**

The preparation of financial statements requires management to make judgements about the application of accounting policies that have a significant effect on the amounts recognised in the financial statements. The IMO evaluates these judgements regularly.

Operating Lease Commitments

The IMO is entered into a lease for a building for branch office accommodation. This lease relates to a building of a temporary nature and it has been determined that the lessor retains substantially all the risks and rewards incidental to ownership. Accordingly, the lease has been classified as an operating lease.

**(w) Key Sources of Estimation Uncertainty**

The IMO makes key estimates and assumptions concerning the future. These estimates and assumptions are based on historical experience and various other factors that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

GSI Allocation

Under the Market Rules, any Surplus/(Deficit) originating in a year is passed back to/(reclaimed from) market participants through subsequent revisions to the pricing mechanism. As at each year end the IMO allocates the Surplus/(Deficit) between WEM and GSI. This requires estimation of the Surplus/(Deficit) to WEM and GSI. In calculating the costs associated with WEM and GSI, all costs that can be directly attributed to WEM and GSI are expensed immediately. For common costs, these are

## Note 1: Summary of Significant Accounting Policies (continued)

### (w) Key Sources of Estimation Uncertainty (continued)

apportioned based on an estimation of the GSI component that was established following an extensive review of the IMO's cost drivers. These will be reviewed and approved annually.

### Long Service Leave

In calculating the IMO's long service leave provision, several estimations and assumptions have been made. These include expected future salary rates, salary inflation, discount rates, employee retention rates and expected future payments. Any changes in these estimations and assumptions may impact on the carrying amount of the long service leave provision.

### (x) Initial Application of an Australian Accounting Standard

The IMO has applied the following Australian Accounting Standards effective for annual reporting periods beginning on or after 1 July 2014 that impacted on the IMO.

<i>Interpretation 21</i>	<i>Levies</i> This Interpretation clarifies the circumstances under which a liability to pay a government levy imposed is only recognised when the activity that triggers the payment occurs. Applying the going concern assumption does not create a constructive obligation. There is no financial impact resulting from the application of this Standard to the IMO.
<i>AASB 1031</i>	<i>Materiality</i> This Standard supersedes <i>AASB 1031</i> (February 2010), removing Australian guidance on materiality not available in IFRSs and refers to guidance on materiality in other Australian pronouncements. There is no financial impact resulting from the application of this Standard to the IMO.
<i>AASB 1055</i>	<i>Budgetary Reporting</i> This Standard requires specific budgetary disclosures in the general purpose financial statements of not-for-profit entities within the General Government Sector. The IMO will be required to disclose additional budgetary information and explanations of major variances between actual and budgeted amounts, though there is no financial impact.
<i>AASB 2012-3</i>	<i>Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]</i> This Standard adds application guidance to <i>AASB 132 – Financial Instruments: Presentation</i> to address inconsistencies identified in applying some of the offsetting criteria, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement. There is no financial impact resulting from the application of this Standard to the IMO.
<i>AASB 2013-3</i>	<i>Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets</i> This Standard introduces editorial changes and amends disclosure requirements in <i>AASB 136 – Impairment of Assets</i> . The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. There is no financial impact for the IMO.
<i>AASB 2013-9</i>	<i>Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments</i> Part B of this omnibus Standard makes amendments to other Standards arising from the deletion of references to <i>AASB 1031 – Materiality</i> in other Standards for periods beginning on or after 1 January 2014 (Part B) and defers the application of <i>AASB 9 – Financial Instruments</i> to 1 January 2015 (Part C). There is no financial impact for the IMO.

## Note 1: Summary of Significant Accounting Policies (continued)

### (y) Future Impact of Australian Accounting Standards not yet Operative

The IMO has not applied early any of the following *Australian Accounting Standards* that have been issued that may impact the IMO. Where applicable, the IMO plans to apply these *Australian Accounting Standards* from their application date.

		<b>Operative for reporting periods beginning on/after</b>
AASB 9	<p><i>Financial Instruments</i></p> <p>This Standard supersedes AASB 139 – <i>Financial Instruments: Recognition and Measurement</i>, introducing a number of changes to accounting treatments.</p> <p>The mandatory application date of this Standard is currently 1 January 2018 after being amended by AASB 2012-6, AASB 2013-9 and AASB 2014-1 <i>Amendments to Australian Accounting Standards</i>. The IMO has not yet determined the application or the potential financial impact of the Standard.</p>	1 Jan 2018
AASB 15	<p><i>Revenue from Contracts with Customers</i></p> <p>This Standard establishes the principles that the IMO shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The IMO has not yet determined the application or the potential financial impact of the Standard.</p>	1 Jan 2017
AASB 2010-7	<p><i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 &amp; 1038 and Interpretations 2, 5, 10, 12, 19 &amp; 127]</i></p> <p>This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 - <i>Financial Instruments</i> in December 2010.</p> <p>The mandatory application date of this Standard has been amended by AASB 2012-6 and AASB 2014-1 to 1 January 2018. The IMO has not yet determined the application or potential financial impact of the Standard.</p>	1 Jan 2018
AASB 2013-9	<p><i>Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments</i></p> <p>Part C of this omnibus Standard defers the application of AASB 9 to 1 January 2017. The application date of AASB 9 was subsequently deferred to 1 January 2018 by AASB 2014-1. The IMO has not yet determined the application or potential financial impact of the Standard.</p>	1 Jan 2015
AASB 2014-1	<p><i>Amendments to Australian Accounting Standards</i></p> <p>Part E of this Standard makes amendments to AASB 9 and consequential amendments to other Standards. The IMO has not yet determined the application or potential financial impact of the Standard.</p>	1 Jan 2018
AASB 2014-4	<p><i>Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 &amp; 138]</i></p> <p>The adoption of this Standard has no financial impact for the IMO as depreciation and amortisation is not determined by reference to revenue generation, but by reference to consumption of future economic benefits.</p>	1 Jan 2016

**Note 1: Summary of Significant Accounting Policies (continued)**

**(y) Future Impact of Australian Accounting Standards not yet Operative (continued)**

		<b>Operative for reporting periods beginning on/after</b>
AASB 2014-5	<i>Amendments to Australian Accounting Standards arising from AASB 15</i> This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15. The IMO has not yet determined the application or potential financial impact of the Standard.	1 Jan 2017
AASB 2014-7	<i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)</i> This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 9 (December 2014). The IMO has not yet determined the application or potential financial impact of the Standard.	1 Jan 2018
AASB 2014-7	<i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)</i> This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 9 (December 2014). The IMO has not yet determined the application or potential financial impact of the Standard.	1 Jan 2018
AASB 2014-8	<i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) [AASB 9 (2009 &amp; 2010)]</i> This Standard makes amendments to AASB 9 <i>Financial Instruments</i> (December 2009) and AASB 9 <i>Financial Instruments</i> (December 2010), arising from the issuance of AASB 9 <i>Financial Instruments</i> in December 2014. The IMO has not yet determined the application or potential financial impact of the Standard.	1 Jan 2015
AASB 2015-1	<i>Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle [AASB 1, 2, 3, 5, 7, 11, 110, 119, 121, 133, 134, 137 &amp; 140]</i> These amendments arise from the issuance of International Financial Reporting Standard Annual Improvements to IFRSs 2012–2014 Cycle in September 2014, and editorial corrections. The IMO has not yet determined the application or potential financial impact of the Standard.	1 Jan 2016
AASB 2015-2	<i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134 &amp; 1049]</i> This Standard amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Specifically, the Standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a Standard in determining what information to disclose in their financial statements. There is no financial impact for the IMO.	1 Jan 2016
AASB 2015-3	<i>Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality</i> This Standard completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn. There is no financial impact for the IMO.	1 Jul 2015

## Note 1: Summary of Significant Accounting Policies (continued)

### (z) Budgeted amounts

In accordance with the new AASB 1055 Budgetary Reporting Standard, which became effective for the first time in 2014-15, the IMO has included a comprehensive new note 'Budgetary reporting and explanations of major variances' (Note 32). This note discloses, in respect of the financial statements, the IMO's original budget as published in the consolidated Western Australian State Budget. This budget was subsequently revised and a comparison of the revised budget information to actual results and explanations of major variances is included in Note 32.

Budget information refers to the amounts presented to Parliament in the original budgeted financial statements in respect of the reporting period (Western Australian State Budget 2014-15). These original budgeted amounts have been presented and classified on a basis that is consistent with line items in the financial statements. However, these amounts have been adjusted to reflect revised budget changes. The budget process is not subject to audit.

### (aa) Change in Accounting Estimate

As part of a periodic review of the business and the operating environment that the business operates in, the IMO reassessed the effective life of its computer equipment and office fit-out assets. The reassessment of the effective life of the enhanced computer equipment and office fit-out assets was evaluated at three years and five years respectively, a change from the previous five years and ten years effective life.

The change in effective life from five to three years and ten to five years is considered preferable as it will more accurately reflect the pattern of usage and the expected benefits to be derived from these assets.

The revised five year effective life of the IMO's computer hardware and office fit-out took effect from 1 July 2014. The revision of the effective life is accounted for prospectively as a change in accounting estimate in accordance with *AASB 108 – Accounting Policies, Changes in Accounting Estimates and Errors*. As a result, the depreciation and amortisation charges of the IMO for the current financial year end have increased by \$575,000.

## Note 2: User Charges and Fees

	<b>2015</b>	<b>2014</b>
	<b>\$000</b>	<b>\$000</b>
Regulatory charge – registration fees	5	4
Regulatory charge – market fees	14,734	16,441
Regulatory charge – gas services information fees	2,340	2,250
	<b>17,079</b>	<b>18,695</b>

## Note 3: Interest Revenue

Interest received from bank	188	199
	<b>188</b>	<b>199</b>

## Note 4: Other Income

Market participant training	8	11
Other revenue	10	7
	<b>18</b>	<b>18</b>

## Note 5: Employee Benefits Expense

Wages and salaries (a)	6,116	5,569
Superannuation - defined contribution plans (b)	568	499
Superannuation - defined benefit plans (Note 21 'Provisions')	133	98
Annual leave (c)	171	57
Long service leave (c)	109	169
	<b>7,097</b>	<b>6,392</b>

(a) Includes the value of the fringe benefit to the employee plus the fringe benefits tax component.

(a) Defined contribution plans include West State, Gold State, GESBS and other eligible funds.

(a) Includes a superannuation contribution component.

Employment on-costs such as workers' compensation insurance are included in Note 7 'Supplies and Services'.

The employment on-costs liability is included at Note 21 'Provisions'.

## Note 6: Depreciation and Amortisation Expense

### Depreciation

Computer equipment (a)	466	173
Office fit-out (b)	445	114
Furniture & Fittings	57	46
<i>Total depreciation</i>	<b>968</b>	<b>333</b>

### Amortisation

Computer software	4,002	3,578
Gas Bulletin Board ("GGB") software	559	451
<i>Total amortisation</i>	<b>4,561</b>	<b>4,029</b>
<b>Total depreciation and amortisation expense</b>	<b>5,529</b>	<b>4,362</b>

(a) Includes \$244,000 depreciation adjustment as a result of the change in useful life of computer equipment from 5 to 3 years.

(a) Includes \$331,000 depreciation adjustment as a result of the change in useful life of office fit-out assets from 10 to 5 years.

### Note 7: Supplies and Services

	<b>2015</b>	<b>2014</b>
	<b>\$000</b>	<b>\$000</b>
Communications and data processing costs	305	308
Consultants and contractors:		
- market system maintenance and support	1,479	1,722
- obligations under Market Rules (a)	822	917
- corporate IT maintenance and support	552	630
- other	524	496
Recruitment costs	97	56
Other	625	699
	<b>4,404</b>	<b>4,828</b>

(a) Costs of activities undertaken as part of the Market Rules.

### Note 8: Advertising Expense

Advertising general	6	7
	<b>7</b>	<b>8</b>

### Note 9: Accommodation Expense

Lease rental	656	625
Car bay rental	68	65
Electricity	42	38
Repairs and maintenance	11	26
Cleaning and security	20	16
	<b>797</b>	<b>770</b>

### Note 10: Finance Costs

Interest expense	545	647
Borrowing costs capitalised (a)	-	(21)
<b>Finance costs expensed</b>	<b>545</b>	<b>626</b>

(a) Borrowing costs in relation to the loans taken out to finance the GISP project, upon which were capitalised when the project went live on 1 August 2013.

### Note 11: Other Expenses

Software maintenance	330	207
Repairs and maintenance	-	3
Training	118	188
Other	19	94
	<b>467</b>	<b>492</b>

### Note 12: Loss on Disposal of Non-Current Assets

Loss on disposal of non-current assets	22	12
	<b>22</b>	<b>12</b>

### Note 13: Cash and Cash Equivalents

	<b>2015</b>	<b>2014</b>
	<b>\$000</b>	<b>\$000</b>
Cash at bank	1,626	5,240
Cash at bank – Market settlement default (a)	-	6,559
	<b>1,626</b>	<b>11,799</b>

(a) Corresponds to offsetting liability – see Note 20 ‘Other Liabilities’.

#### Note 14: Trade and Other Receivables

##### Current

Trade receivables	62	-
Other receivables	-	3
GST receivable - Australian Taxation Office	99	100
Accrued revenue	3,033	3,418
	<b>3,194</b>	<b>3,521</b>

#### Note 15: Other Current Assets

##### Current

GST reimbursement from market participants	-	83
Prepayments	272	224
	<b>272</b>	<b>307</b>

#### Note 16: Plant and Equipment

##### PLANT AND EQUIPMENT

##### Computer Equipment

At cost	1,363	1,168
Accumulated depreciation	(1,038)	(601)
	<b>325</b>	<b>567</b>

##### Office Fit-out

At cost	1,137	1,136
Accumulated depreciation	(650)	(204)
	<b>487</b>	<b>932</b>

##### Furniture & Fittings

At cost	283	283
Accumulated depreciation	(137)	(80)
	<b>146</b>	<b>203</b>

##### Total

At cost	2,783	2,587
Accumulated depreciation	(1,825)	(885)
	<b>958</b>	<b>1,702</b>

### Note 16: Plant and Equipment (continued)

Reconciliations of the carrying amounts of plant and equipment at the beginning and end of the reporting period are set out in the table below:

	Computer equipment \$000	Office fit-out \$000	Furniture and fittings \$000	Total \$000
<b>2015</b>				
Carrying amount at start of year	567	932	203	1,702
Additions	237	-	-	237
Disposals at net book value	(13)	-	-	(13)
Depreciation	(466)	(445)	(57)	(968)
<b>Carrying amount at end of year</b>	<b>325</b>	<b>487</b>	<b>146</b>	<b>958</b>
<b>2014</b>				
Carrying amount at start of year	578	1,042	240	1,860
Additions	174	4	9	187
Disposals at net book value	(12)	-	-	(12)
Depreciation	(173)	(114)	(46)	(333)
<b>Carrying amount at end of year</b>	<b>567</b>	<b>932</b>	<b>203</b>	<b>1,702</b>

There were no indications of impairment of plant and equipment as at 30 June 2015.

### Note 17: Intangible Assets

	2015 \$000	2014 \$000
<b>INTANGIBLES</b>		
<u>Computer Software</u>		
At cost	23,484	30,689
Accumulated amortisation	(14,632)	(18,819)
	<b>8,852</b>	<b>11,870</b>
<b>Reconciliation:</b>		
Carrying amount at start of year	11,870	12,065
Additions	993	3,383
Disposals at net book value	(9)	-
Amortisation expense	(4,002)	(3,578)
<b>Carrying amount at end of year</b>	<b>8,852</b>	<b>11,870</b>
<u>GBB Software</u>		
At cost	2,851	2,741
Accumulated amortisation	(1,010)	(451)
	<b>1,841</b>	<b>2,290</b>
<b>Reconciliation:</b>		
Carrying amount at start of year	2,290	2,254
Additions	110	487
Amortisation expense	(559)	(451)
<b>Carrying amount at end of year</b>	<b>1,841</b>	<b>2,290</b>

**Note 17: Intangible Assets (continued)**

	<b>2015</b>	<b>2014</b>
	<b>\$000</b>	<b>\$000</b>
<u>Work in progress – WEMS CAST (a)</u>		
At cost	316	87
Accumulated amortisation	-	-
	<b>316</b>	<b>87</b>
<b>Reconciliation:</b>		
Carrying amount at start of year	87	-
Additions	229	87
<b>Carrying amount at end of year</b>	<b>316</b>	<b>87</b>
<u>Work in progress – WEMS CAST Infrastructure (b)</u>		
At cost	180	59
Accumulated amortisation	-	-
	<b>180</b>	<b>59</b>
<b>Reconciliation:</b>		
Carrying amount at start of year	59	-
Additions	121	59
<b>Carrying amount at end of year</b>	<b>180</b>	<b>59</b>
<u>Work in progress – SPARTA Invoicing/Settlement Portal Replacement (c)</u>		
At cost	267	-
Accumulated amortisation	-	-
	<b>267</b>	<b>-</b>
<b>Reconciliation:</b>		
Carrying amount at start of year	-	-
Additions	267	-
<b>Carrying amount at end of year</b>	<b>267</b>	<b>-</b>
<u>Total</u>		
At cost	27,098	33,576
Accumulated depreciation	(15,642)	(19,270)
	<b>11,456</b>	<b>14,306</b>

- (a) The WEMS Compliance and Surveillance Tools (“CAST”) emerged during the prior year as a new IT project to examine raw WEMS data that will deliver additional functionality and will allow the compliance team to actively monitor WEM activities. In line with the established practice, expenditure on the WEMS CAST will be capitalised and will be depreciated over the financial years 2015/16 to 2019/20, with the effective implementation date 2 September 2015.
- (b) The WEMS CAST Infrastructure emerged during the prior year as a new IT project necessary to create infrastructure to support a controlled aggregation of WEMS and Settlements data for improved reporting and data transparency. In line with the established practice, expenditure on the WEMS CAST Infrastructure will be capitalised and will be depreciated over the financial years 2015/16 to 2019/20, with the effective implementation date 2 September 2015.
- (c) The SPARTA Invoicing and Settlement Portal Replacement emerged during the year as a new IT project necessary to settle all trading within the WEM via Austraclear and to produce real-time invoice not paid data. The project delivers a new enhanced User Interface and implements web services for all settlements. As part of this project, invoice generation is moved to the SPARTA system with pre-payments applied against the payment summary of the invoice. In line with the established practice,

### Note 17: Intangible Assets (continued)

expenditure on the SPARTA Invoicing and Settlement Portal Replacement will be capitalised and will be depreciated over the financial years 2015/16 to 2019/20, with the effective implementation date 2 September 2015.

There were no indications of impairment to intangible assets as at 30 June 2015.

### Note 18: Trade and Other Payables

	<b>2015</b>	<b>2014</b>
	<b>\$000</b>	<b>\$000</b>
<i>Current</i>		
Trade payables	828	997
Accrued expenses	256	165
Accrued salaries	178	163
	<b>1,262</b>	<b>1,325</b>

### Note 19: Borrowings

<i>Current</i>		
Western Australian Treasury Corporation ("WATC") loan	5,176	4,805
<i>Non-Current</i>		
Western Australian Treasury Corporation ("WATC") loan	6,887	10,137
	<b>12,063</b>	<b>14,942</b>
<u>Financing Arrangements</u>		
IMO has access to the following Lines of Credit:		
<i>Total facilities available:</i>		
Liquid facility and direct borrowings (a)	12,589	14,867
	<b>12,589</b>	<b>14,867</b>
<i>Facilities utilised at the end of the reporting period:</i>		
Liquid facility and direct borrowings	12,063	14,942
	<b>12,063</b>	<b>14,942</b>
<i>Total facilities (utilised)/not utilised at the end of the reporting period:</i>		
Liquid facility and direct borrowings	526	(75)
	<b>526</b>	<b>(75)</b>

At reporting date, IMO has an approved borrowing limit from Western Australian Treasury Corporation (WATC) of \$12.6 million and peak borrowings of \$25 million. The borrowing limit for 30 June 2016 is \$11.6 million and peak borrowing is \$22.4 million.

- (a) Total facility available is based on the Western Australian Government approved borrowing limits although the total facility available under the Master Lending Agreement is higher. The outstanding amount at 30 June 2014 was \$75,000 higher than the borrowing limits; however this was not breached as amounts due on 1 July 2014 of \$117,000 were paid on 25 June 2014. Refer to Note 15 for prepayments.

#### (i) Master Lending Agreement (MLA)

For the purposes of accessing a simplified and flexible borrowing arrangement, the IMO entered into a MLA with the WATC on 19 July 2012 which consolidates all agreements into one facility.

## Note 19: Borrowings (continued)

### (ii) Significant terms and conditions

Direct borrowings comprise of:

Original Principal (\$000)	Fixed/Variable Interest	Settlement Date	Effective Interest Rate
958	Fixed	July 2022	3.86%
500	Fixed	December 2017	3.40%
500	Fixed	January 2018	3.40%
420	Fixed	April 2018	3.49%
300	Fixed	May 2018	3.16%
504	Fixed	May 2018	3.21%
329	Fixed	June 2016	3.16%
914	Fixed	December 2016	3.25%
2,432	Fixed	June 2017	3.34%
1,961	Fixed	December 2016	3.25%
1,091	Fixed	June 2017	3.34%
3,684	Fixed	June 2016	3.16%
750	Fixed	July 2018	3.40%
2,348	Fixed	July 2018	3.15%
720	Fixed	September 2018	3.49%
500	Fixed	November 2018	3.57%
500	Fixed	December 2018	3.49%
316	Fixed	March 2019	3.34%
88	Fixed	May 2019	3.36%
613	Fixed	May 2019	3.36%
1,000	Fixed	October 2019	3.12%
984	Fixed	January 2020	2.57%
157	Fixed	June 2020	2.64%

## Note 20: Other Liabilities

	2015 \$000	2014 \$000
<i>Current</i>		
Amounts due to market participants (a)	689	3,761
Market settlement default (b)	-	6,559
Receipts in advance (c)	140	-
GST reimbursement to ATO (d)	-	227
Lease incentive liability (e)	85	85
Market participants prudential security	-	52
	<b>914</b>	<b>10,684</b>
<i>Non-Current</i>		
Lease incentive liability (e)	532	617
	<b>532</b>	<b>617</b>
	<b>1,446</b>	<b>11,301</b>

## Note 20: Other Liabilities (continued)

- (a) Relates to amounts paid by market participants in advance for future settlements that are not yet applied as at 30 June 2015.
- (b) This is the relinquishing of a security deposit by a market participant as compensation to the market for failing to operate a facility in accordance with clause 4.13.11 of the market rules. This was returned back to market participants in November 2014.
- (c) Relates to sponsorship funds received for the IMO hosted APEx 2015 conference to be held in Perth from 4 to 6 November 2015.
- (d) In prior year, IMO received from the Commissioner of Taxation, a GST private ruling which covered amongst other things, the treatment of GST in relation to the payment of the Market Participant Fee (comprising the Market Fee, Regulator Fee and the System Operator Fee) by Market Participants to the IMO and the creditable acquisitions, that could be made to the Economic Regulation Authority (ERA) by the IMO, in relation to the Regulator's Fees. The ruling requires the IMO to refund excess GST monies collected from the ERA, giving rise to a liability of \$227,298 at 30 June 2014, that is due to be repaid by monthly amounts and is subject to general interest charges, accruing at the ATO interest rate of 9.82%. Corresponds to offsetting asset – see Note 15 ('GST reimbursement from Market Participants'). This is to be repaid to the ATO through market fees recouped from Market Participants.
- (e) The lease incentive liability relates to the lease entered into for the premises at Level 17, 197 St Georges Terrace, Perth which will be amortised over the term of the lease; being a ten years period.

## Note 21: Provisions

	<b>2015</b>	<b>2014</b>
	<b>\$000</b>	<b>\$000</b>
<u>Current</u>		
<i>Employee benefits provision</i>		
Annual leave (a)	322	200
Long service leave (b)	146	86
	<b>468</b>	<b>285</b>
<i>Other provisions</i>		
Employment on-costs (c)	72	46
	<b>72</b>	<b>46</b>
	<b>540</b>	<b>332</b>
<u>Non-Current</u>		
<i>Employee benefits provision</i>		
Long service leave (b)	277	237
	<b>277</b>	<b>237</b>
<i>Other provisions</i>		
Employment on-costs (c)	41	39
	<b>41</b>	<b>39</b>
	<b>318</b>	<b>276</b>
	<b>858</b>	<b>608</b>

- (a) Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the leave liabilities is expected to occur as follows:

Within 12 months of the end of the reporting period	272	200
More than 12 months after the end of the reporting period	50	-
	<b>322</b>	<b>200</b>

### Note 21: Provisions (continued)

- (b) Long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the leave liabilities is expected to occur as follows:

	<b>2015</b>	<b>2014</b>
	<b>\$000</b>	<b>\$000</b>
Within 12 months of the end of the reporting period	7	17
More than 12 months after the end of the reporting period	416	306
	<b>423</b>	<b>323</b>

- (c) The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers' compensation insurance. The provision is the present value of expected future payments. The associated expense, apart from the unwinding of the discount (finance cost), is disclosed in Note 7 'Supplies and Services - Other'.

#### Movements in Other Provisions

Movement during the financial year, other than employee benefits, are set out below.

#### Employment On-Cost Provision

Carrying amount at start of year	85	62
Additional provisions recognised	28	23
<b>Carrying amount at end of year</b>	<b>113</b>	<b>85</b>

### Note 22: WEM and GSI Accumulated Surplus/(Deficit)

#### *WEM Accumulated Surplus/(Deficit)*

In the WEM the Market Rules provide the methodology for establishing the market fee rate that the IMO is allowed to charge to recover costs for services provided. In situations where the market fees in the previous financial year are greater than or (less than) the IMO's expenditure for that financial year, there is an adjustment to decrease/(increase) the revenue requirements by the amount of any surplus or increase the revenue requirements by the amount of any deficit.

#### WEM Accumulated Surplus/Deficit

Balance at start of year	1,260	281
Transfer from accumulated surplus	(1,888)	979
<b>Balance at end of year</b>	<b>(628)</b>	<b>1,260</b>

#### *GSI Accumulated Surplus/ (Deficit)*

The costs of the IMO to provide Gas Services Information to market participants are recovered by direct invoicing to market participants. In situations where the costs in the previous financial year exceed the charge to market participants this loss is recovered in subsequent years through an increase in revenue requirements. If the costs in the previous financial year are less than the charge to market participants this surplus is returned in subsequent years through decreased revenue requirements.

#### GSI Accumulated Surplus/ (Deficit)

Balance at start of year	444	-
Transfer from accumulated surplus	306	444
<b>Balance at end of year</b>	<b>750</b>	<b>444</b>

### Note 23: Equity

Equity represents the residual interest in the net assets of the IMO. The Western Australian government holds the equity interest in the IMO on behalf of the market participants.

## Note 24: Notes to the Statement of Cash Flows

### (a) Reconciliation of cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2015 \$000	2014 \$000
Cash and cash equivalents	<u>1,626</u>	<u>11,799</u>

### (b) Reconciliation of surplus equivalent to net cash flows provided by operating activities

<b>Surplus for the period</b>	<b>(1,582)</b>	<b>1,423</b>
<i>Non-cash items:</i>		
Depreciation and amortisation expense (Note 6)	5,529	4,362
Loss on disposal of non-current assets (Note 12)	22	12
<i>(Increase)/decrease in assets:</i>		
Trade and other receivables	326	(879)
Other assets	(48)	(99)
Market settlement default	(6,559)	6,559
Prepaid amounts from Market Participants	(3,072)	3,761
GST payable/(receivable)	(143)	25
<i>Increase/(decrease) in liabilities:</i>		
Trade and other payables	(78)	39
Provisions	250	164
Other liabilities	18	105
<b>Net cash provided by operating activities</b>	<b>(5,337)</b>	<b>15,472</b>

### (b) Reconciliation of surplus equivalent to net cash flows provided by operating activities

#### Non-cash financing and investing activities

IMO does not have any non-cash financing and investing activities during the reporting period (2014: Nil).

## Note 25: Commitments

### Non-Cancellable Operating Lease Commitments

Commitments for minimum lease payments are payable as follows:

Within 1 year	547	523
Later than 1 year and not later than 5 years	717	1,264
	<u>1,264</u>	<u>1,787</u>

The property lease for office accommodation at Level 17, 197 St Georges Terrace is for an initial term of ten years, including a non-cancellable term of five years, with rent payable monthly in advance. Contingent rent provisions within the lease agreement require that the minimum lease payments shall be increased by 4% per annum. An option exists to renew the lease at the end of the ten year term for a further five year term.

The commitments below are inclusive of GST.

### Other Expenditure Commitments

Other expenditure commitments contracted for at the end of the reporting period but not recognised as liabilities, are payable as follows:

Within 1 year	180	65
	<u>180</u>	<u>65</u>

## Note 26: Events Occurring After the End of the Reporting Period

The IMO is unaware of any event occurring after the reporting period that would materially affect the financial statements.

## Note 27: Financial Instruments

### (a) Financial Risk Management Objectives and Policies

Financial instruments held by the IMO are cash and cash equivalents, borrowings, receivables and payables. The IMO has limited exposure to financial risks. The IMO's overall risk management program focuses on managing the risks identified below.

#### Credit Risk

Credit risk arises when there is the possibility of the IMO's receivables defaulting on their contractual obligations resulting in financial loss to the IMO.

The maximum exposure to credit risk at the end of the reporting period, in relation to each class of recognised financial assets, is the gross carrying amount of those assets, inclusive of any allowance for impairment, as shown in the table at Note 27(c) 'Financial Instruments Disclosures' and Note 14 'Trade and Other Receivables'.

The IMO has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. In addition, receivable balances are monitored on an ongoing basis with the result that the IMO's exposure to bad debts is minimal. At the end of the reporting period there were no significant concentrations of credit risk.

#### Liquidity Risk

Liquidity risk arises when the IMO is unable to meet its financial obligations as they fall due.

The IMO is exposed to liquidity risk through its trading in the normal course of business.

The IMO's objective is to maintain a balance between continuity of funding and flexibility through the use of WATC borrowings. The IMO has appropriate procedures to manage cash flows including drawdown of appropriations by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

The IMO manages this risk through the following mechanisms:

- Preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities;
- Monitoring undrawn credit facilities;
- Maintaining a reputable credit profile;
- Managing credit risk related to financial assets;
- Only investing cash with major financial institutions; and
- Comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

#### Market Risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the IMO's income or the value of its holdings of financial instruments.

### (a) Financial Risk Management Objectives and Policies (continued)

The IMO does not trade in foreign currency and is not materially exposed to other price risks. The IMO's exposure to market risk for changes in interest rates relates primarily to the long-term debt obligations.

The IMO's borrowings are all obtained through the WATC and are repayable at fixed rates with varying maturities.

The risk is managed by WATC through portfolio diversification and variation in maturity dates.

Other than as detailed in the interest rate sensitivity analysis table at Note 27(c), the IMO is not exposed to interest rate risk.

This is because, apart from amounts of cash and cash equivalents which are non-interest bearing, the IMO has no other borrowings other than WATC borrowings.

## Note 27: Financial Instruments (continued)

### (b) Categories of Financial Instruments

In addition to cash, the carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are as follows:

	Note	2015 \$000	2014 \$000
<u>Financial Assets</u>			
Cash and cash equivalents	13	1,626	11,799
Receivables (a)	14	3,095	3,421
<b>Total financial assets</b>		<b>4,721</b>	<b>15,220</b>
<u>Financial Liabilities</u>			
Trade and other payables	18, 20	2,708	12,626
Borrowings	19	12,063	14,942
<b>Total financial liabilities</b>		<b>14,771</b>	<b>27,568</b>

(a) The amount of loans and receivables excludes GST recoverable from the ATO (statutory receivable).

### (c) Financial Instrument Disclosures

#### Credit risk

The following table discloses the IMO's maximum exposure to credit risk and the ageing analysis of financial assets. The IMO's maximum exposure to credit risk at the end of the reporting period is the carrying amount of financial assets as shown below. The table discloses the ageing of financial assets that are past due but not impaired and impaired financial assets. The table is based on information provided to senior management of the IMO.

The IMO does not hold any collateral as security or other credit enhancement relating to the financial assets it holds nor does the IMO hold any financial assets that had to have their terms renegotiated that would have otherwise resulted in them being past due or impaired.

	Carrying Amount \$000	Not past due and not impaired \$000	Ageing analysis of financial assets Past due but not impaired					impaired financial assets \$000
			Up to 1 month \$000	1-3 months \$000	3 months to 1 year \$000	1-5 years \$000	More than 5 years \$000	
<b>2015</b>								
Cash and cash equivalents	1,626	1,626	-	-	-	-	-	-
Receivables (a)	3,095	3,063	-	32	-	-	-	-
	<b>4,721</b>	<b>4,689</b>	-	<b>32</b>	-	-	-	-
<b>2014</b>								
Cash and cash equivalents	11,799	11,799	-	-	-	-3	-	-
Receivables (a)	3,421	3,418	-	-	-	3	-	-
	<b>15,220</b>	<b>15,217</b>	-	-	-	<b>3</b>	-	-

(a) The amount of receivables excludes the GST recoverable from the ATO (statutory receivable).

**Note 27: Financial Instruments (continued)**

**(c) Financial Instrument Disclosures (continued)**

Liquidity risk and interest rate exposure

The following table details the IMO's interest rate exposure and the contractual maturity analysis of financial assets and financial liabilities. The maturity analysis section includes interest and principal cash flows. The interest rate exposure section analyses only the carrying amounts of each item.

**Interest rate exposure and maturity analysis of financial assets and financial liabilities**

	Weighted Average Effective Interest Rate	Interest rate exposure				Nominal Amount	Maturity dates				
		Carrying Amount	Fixed Interest Rate	Variable Interest Rate	Non- Interest Bearing		Up to 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
	%	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>2015</b>											
<u>Financial Assets</u>											
Cash and cash equivalents	1.79	1,626	-	1,625	1	1,626	1,626	-	-	-	-
Receivables (a)	N/A	3,095	-	-	3,095	3,095	1,869	1,226	-	-	-
		<b>4,721</b>	<b>-</b>	<b>1,625</b>	<b>3,096</b>	<b>4,721</b>	<b>3,495</b>	<b>1,226</b>	<b>-</b>	<b>-</b>	<b>-</b>
<u>Financial Liabilities</u>											
Payables	N/A	2,708	-	-	2,708	2,708	1,262	-	914	532	-
Borrowings	3.25	12,063	12,063	-	-	12,063	432	862	3,882	6,783	104
		<b>14,771</b>	<b>12,063</b>	<b>-</b>	<b>2,708</b>	<b>14,771</b>	<b>1,694</b>	<b>862</b>	<b>4,796</b>	<b>7,315</b>	<b>104</b>
<b>2014</b>											
<u>Financial Assets</u>											
Cash and cash equivalents	2.52	11,799	6,559	5,239	1	11,799	5,240	-	6,559	-	-
Receivables (a)	N/A	3,421	-	-	3,421	3,421	-	-	-	-	-
		<b>15,220</b>	<b>6,559</b>	<b>5,239</b>	<b>3,422</b>	<b>15,220</b>	<b>5,240</b>	<b>-</b>	<b>6,559</b>	<b>-</b>	<b>-</b>
<u>Financial Liabilities</u>											
Payables	N/A	12,626	-	-	12,626	12,626	1,325	-	10,684	617	-
Borrowings	3.33	14,942	14,942	-	-	14,942	401	803	3,601	9,842	295
		<b>27,568</b>	<b>14,942</b>	<b>-</b>	<b>12,626</b>	<b>27,568</b>	<b>1,726</b>	<b>803</b>	<b>14,285</b>	<b>10,459</b>	<b>295</b>

(a) The amount of receivables excludes the GST recoverable from the ATO (statutory receivable).

## Note 27: Financial Instruments (continued)

### (c) Financial Instrument Disclosures (continued)

#### Interest rate sensitivity analysis

The following table represents a summary of the interest rate sensitivity of the IMO's financial assets and liabilities at the end of the reporting period on the surplus for the period and equity for a 1% change in interest rates. It is assumed that the change in interest rates is held constant throughout the reporting period.

	Carrying amount	-100 basis points		+100 basis points	
		Surplus	Equity	Surplus	Equity
<b>2015</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<i>Financial Assets</i>					
Cash and cash equivalents	1,625	(16.3)	(16.3)	16.3	16.3
<b>Total (decrease)/increase</b>		<b>(16.3)</b>	<b>(16.3)</b>	<b>16.3</b>	<b>16.3</b>
<b>2014</b>					
<i>Financial Assets</i>					
Cash and cash equivalents	11,799	(118.0)	(118.0)	118.0	118.0
<b>Total (decrease)/increase</b>		<b>(118.0)</b>	<b>(118.0)</b>	<b>118.0</b>	<b>118.0</b>

Borrowings are fixed term loans and are excluded from the sensitivity analysis.

#### Fair values

All financial assets and liabilities recognised in the Statement of Financial Position, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

## Note 28: Remuneration of Members of the Accountable Authority and Senior Officers

Information in respect of Directors' and Executives' remuneration has been previously disclosed in the Director's Report section of this Annual Report.

## Note 29: Auditors' Remuneration

	<b>2015</b>	<b>2014</b>
	<b>\$000</b>	<b>\$000</b>
Remuneration paid or payable to the Auditor General in respect of the audit for the current financial year is as follows:		
Auditing the accounts and financial statements	<b>27</b>	<b>26</b>

## Note 30: Bank Security Deposits and Guarantees

In accordance with the *Electricity Industry (Wholesale Electricity Market) Regulations 2004*, the IMO requires market participants to deposit financial securities into a trust fund bank account maintained by the IMO or provide the IMO with a deed of bank undertaking that authorises the IMO to withdraw funds from the participant's bank accounts directly.

The purpose of the security deposit or the bank guarantee is to provide a readily accessible fund that the IMO can draw on in the event that a participant fails to meet financial or performance targets.

### Bank Security Deposits

The security deposits are held on trust by the IMO and are not the IMO's monies, although the IMO has the conditional right to draw on the funds as disclosed above. Accordingly, the value of the security deposits which as at 30 June 2015 amounted to \$8,449,537 (2014: \$7,518,272) is not included in the asset values reported in the Statement of Financial Position in these financial statements.

### Bank Guarantees

Similarly, the value of bank undertakings which as at 30 June 2015 amounted to \$90,487,855 (2014: \$81,174,127) is also excluded from the Statement of Financial Position.

## Note 31: Contingent Liabilities and Assets

The IMO is not aware of any contingent liabilities or assets at the end of reporting period.

## Note 32: Budgetary reporting and explanations of major variances

Significant variations between estimates and actual results as presented in the financial statements are shown below. Major variances are considered to be those greater than 10% or \$10 million.

The budget adjustment column detailed below, reflects the inclusion of GSI which was not incorporated when the original budget was provided to Treasury. The IMO considers that providing the variance analysis between the revised budget and the actual results, provides a more accurate and meaningful commentary on the current nature of its operations.

	Variance Note	Original Budget 2015	Budget Adjustment	Revised Budget	Actual 2015	Actual 2014	Variance between revised budget and 2015 actual	Variance between actuals for 2015 and 2014
		\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Statement of Comprehensive Income</b>								
<i>Income</i>								
User charges and fees		16,185	1,380	17,565	17,079	18,695	(486)	(1,616)
Interest revenue	1	50	-	50	188	199	138	(11)
Other income	2	-	-	-	18	18	18	-
<b>Total Income</b>		<b>16,235</b>	<b>1,380</b>	<b>17,615</b>	<b>17,285</b>	<b>18,912</b>	<b>(330)</b>	<b>(1,627)</b>
<i>Expenses</i>								
Employee benefits expense	3, A	(5,477)	(693)	(6,170)	(7,097)	(6,392)	(927)	(705)
Depreciation and amortisation expense	B	(4,406)	(634)	(5,040)	(5,529)	(4,362)	(489)	(1,167)
Supplies and services	4	(4,780)	(1,690)	(6,470)	(4,899)	(5,339)	1,571	440
Accommodation expense		(756)	(102)	(858)	(797)	(770)	61	(27)
Finance costs	5, C	(391)	(87)	(478)	(545)	(626)	(67)	81
<b>Total Expenses</b>		<b>(15,810)</b>	<b>(3,206)</b>	<b>(19,016)</b>	<b>(18,867)</b>	<b>(17,489)</b>	<b>149</b>	<b>(1,378)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>425</b>	<b>(1,826)</b>	<b>(1,401)</b>	<b>(1,582)</b>	<b>1,423</b>	<b>(181)</b>	<b>(3,005)</b>

**Note 32: Budgetary reporting and explanations of major variances (continued)**

	Variance Note	Original Budget 2015	Budget Adjustment	Revised Budget	Actual 2015	Actual 2014	Variance between revised budget and 2015 actual	Variance between actuals for 2015 and 2014
		\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Statement of Financial Position</b>								
<b>ASSETS</b>								
<b>Current Assets</b>								
Cash and cash equivalents	6, D	1,073	10,054	11,127	1,626	11,799	(9,501)	(10,173)
Trade and other receivables		3,075	203	3,278	3,194	3,521	(84)	(327)
Other assets	7, E	125	185	310	272	307	(38)	(35)
<b>Total Current Assets</b>		<b>4,273</b>	<b>10,442</b>	<b>14,715</b>	<b>5,092</b>	<b>15,627</b>	<b>(9,623)</b>	<b>(10,535)</b>
<b>Non-Current Assets</b>								
Property, plant and equipment	8, F	1,656	(56)	1,600	958	1,702	(642)	(744)
Intangible assets	G	13,238	(1,229)	12,009	11,456	14,306	(553)	(2,850)
<b>Total Non-Current Assets</b>		<b>14,894</b>	<b>(1,285)</b>	<b>13,609</b>	<b>12,414</b>	<b>16,008</b>	<b>(1,195)</b>	<b>(3,594)</b>
<b>TOTAL ASSETS</b>		<b>19,167</b>	<b>9,157</b>	<b>28,324</b>	<b>17,506</b>	<b>31,635</b>	<b>(10,818)</b>	
<b>LIABILITIES</b>								
<b>Current Liabilities</b>								
Trade and other payables	9	1,282	169	1,451	1,262	1,325	(189)	(63)
Borrowings	21	3,087	1,575	4,662	5,176	4,805	514	371
Other liabilities	10, H	1,486	9,515	11,001	914	10,684	(10,087)	(9,770)
Provisions	11, I	238	94	332	540	332	208	208
<b>Total Current Liabilities</b>		<b>6,093</b>	<b>11,353</b>	<b>17,446</b>	<b>7,892</b>	<b>17,146</b>	<b>(9,554)</b>	<b>(9,254)</b>
<b>Non-Current Liabilities</b>								
Borrowings	12, J	9,418	(1,491)	7,927	6,887	10,137	(1,040)	(3,250)
Other liabilities	13, K	702	(85)	617	532	617	(85)	(85)
Provisions	14, L	206	70	276	318	276	42	42
<b>Total Non-Current Liabilities</b>		<b>10,326</b>	<b>(1,506)</b>	<b>8,820</b>	<b>7,737</b>	<b>11,030</b>	<b>(1,083)</b>	<b>(3,293)</b>
<b>Total LIABILITIES</b>		<b>16,419</b>	<b>9,847</b>	<b>26,266</b>	<b>15,629</b>	<b>28,176</b>	<b>(10,637)</b>	<b>(12,547)</b>
<b>NET ASSETS</b>		<b>2,748</b>	<b>(690)</b>	<b>2,058</b>	<b>1,877</b>	<b>3,459</b>	<b>(181)</b>	<b>(1,582)</b>
<b>EQUITY</b>								
Accumulated surplus	15, M	2,748	(690)	2,058	1,755	1,755	(303)	-
WEM accumulated (deficit)/surplus	15, M	-	-	-	(628)	1,260	(628)	(1,888)
GSI accumulated surplus	15, M	-	-	-	750	444	750	306
<b>Total Equity</b>		<b>2,748</b>	<b>(690)</b>	<b>2,058</b>	<b>1,877</b>	<b>3,459</b>	<b>(181)</b>	<b>(1,582)</b>

**Note 32: Budgetary reporting and explanations of major variances (continued)**

	Variance Note	Original Budget 2015	Budget Adjustment	Revised Budget	Actual 2015	Actual 2014	Variance between revised budget and 2015 actual	Variance between actuals for 2015 and 2014
		\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>								
Receipts from market participants		16,185	(1,380)	17,565	17,545	17,816	(20)	(271)
Interest received	1	50	-	50	188	199	138	(11)
Other receipts	2	-	-	-	18	18	18	-
Market settlement default (refund)/ receipts	22, Q	-	-	-	(6,559)	6,559	(6,559)	(13,118)
Prepaid amounts (to)/from market participants	23, R	-	-	-	(3,072)	3,761	(3,072)	(6,833)
Goods and Services Tax net receipts/ (payments)	16, N	-	-	-	(143)	25	(143)	(168)
Payments to employees		(6,061)	745	(6,806)	(6,832)	(6,194)	(26)	(638)
Payments to suppliers		(3,921)	1,637	(5,558)	(5,055)	(5,231)	503	176
Finance costs	5, S	(391)	87	(478)	(545)	(626)	(67)	81
Accommodation expense	17	(1,031)	102	(1,133)	(882)	(855)	251	(27)
<b>Net cash provided by operating activities</b>		<b>4,831</b>	<b>1,191</b>	<b>3,640</b>	<b>(5,337)</b>	<b>15,472</b>	<b>(8,977)</b>	<b>(20,809)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
Purchase of property, plant and equipment	18, O	-	-	-	(237)	(187)	(237)	(50)
Purchase of intangible assets	19, P	(2,641)	-	(2,641)	(1,720)	(2,754)	921	1,034
<b>Net cash used in investing activities</b>		<b>(2,641)</b>	<b>-</b>	<b>(2,641)</b>	<b>(1,957)</b>	<b>(2,941)</b>	<b>684</b>	<b>984</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>								
Proceeds/(Repayment) of borrowings	24, T	(1,671)	-	(1,671)	(2,879)	(1,480)	(1,208)	(1,399)
<b>Net cash used in financing activities</b>		<b>(1,671)</b>	<b>-</b>	<b>(1,671)</b>	<b>(2,879)</b>	<b>(1,480)</b>	<b>(1,208)</b>	<b>(1,399)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>519</b>	<b>1,191</b>	<b>(672)</b>	<b>(10,173)</b>	<b>11,051</b>	<b>(9,501)</b>	<b>(21,224)</b>
Cash and cash equivalents at beginning of financial year		554	(11,245)	11,799	11,799	748	-	11,051
<b>Cash and cash equivalents at end of financial year</b>		<b>1,073</b>	<b>(10,054)</b>	<b>11,127</b>	<b>1,626</b>	<b>11,799</b>	<b>(9,501)</b>	<b>(10,173)</b>

## Note 32: Budgetary reporting and explanations of major variances (continued)

### Major Variance Narratives

#### *Variances between estimate and actual*

1. Interest revenue exceeded budget by \$138,000 (276.0%) due to the holding of a relinquished security deposit in relation to reserve capacity security prior to return to market participants.
2. Other income exceeded budget by \$18,000 (100.0%). This relates to market participant training courses and other miscellaneous revenue.
3. Employee benefits expense exceeded budget by \$927,000 (15.0%). This relates to additional provisions recognised for annual and long service leave.
4. Supplies and services expense underspent budget by \$1,571,000 (24.3%) due to reduced level of consultancy engagements and lower than budgeted levels of expenditure for recruitment, legal and travel.
5. Finance costs exceeded budget by \$67,000 (14.0%) due to additional actual repayments exceeding budget.
6. Cash and cash equivalents were lower than budget by \$9,501,000 (85.4%) due to a budget assumption that the security deposit in relation to reserve capacity security for a defaulted market participant would continue to be held by the IMO. This was subsequently returned to market participants in November 2014.
7. Other assets were lower than budget by \$38,000 (12.3%) due to actual levels of prepayments being lower than budget.
8. Property, plant and equipment was lower than budget by \$642,000 (40.1%) due to the reduction in useful economic life of computer equipment and office fit-out assets.
9. Trade and other payables were lower than budget by \$189,000 (13.0%) due to reduced levels of creditors at year end.
10. Other current liabilities were lower than budget by \$10,087,000 (91.7%) due to the security deposit in relation to reserve capacity security for a defaulted market participant continuing to be held by the IMO.
11. Current provisions were higher than budget by \$208,000 (62.7%) due to additional provisions being recognised for annual and long service leave.
12. Non-current borrowings were lower than budget by \$1,040,000 (13.1%) due to higher than budgeted repayments.
13. Other non-current liabilities were \$85,000 (13.8%) lower than budget due to the transfer of the lease incentive from non-current to current for the period.
14. Non-current provisions were higher than budget by \$42,000 (15.2%) due to additional provisions being recognised for annual and long service leave during the year.
15. Equity is reflected at a total level in the budget but is split between accumulated surplus and WEM and GSI reserves in the actual results.
16. Goods and services tax net receipts/(payments) were \$143,000 (100.0%) higher than budget due to the budget being based on a GST neutral basis.
17. Accommodation expense was \$251,000 (22.1%) lower than budget due to additional items included in the budget.
18. Net cash used in the purchase of property, plant and equipment was \$237,000 (100.0%) higher than budget due to no budget provision being made for property, plant and equipment.
19. Net cash used in the purchase of intangible assets was \$921,000 (34.9%) lower than budget due to capital expenditure being lower than budget.
20. Current borrowings were higher than budget by \$514,000 (11.0%) due to transfer of the borrowings from non-current to current for the period.
21. Market settlement default (refund) /receipts were higher than budget by \$6,559,000 (100%) due to the return of a security deposits in relation to reserve capacity security for a defaulted market participant, which was not budgeted for.
22. Prepaid amounts from market participants were lower than budget by \$3,072,000 (100%) due to it was not budgeted for.
23. Repayments of borrowings were higher than budget by \$1,208,000 (72.3%) due to more repayments were made during the year.

Note 32: Budgetary reporting and explanations of major variances (continued)

*Variances between actual results for 2015 and 2014*

- A. Employee benefits expense increased by \$705,000 (11.0%). This relates to additional provisions recognised for annual and long service leave.
- B. Depreciation and amortisation expense increased by \$1,167,000 (26.8%) due to the reduction in useful economic life of computer equipment and office fit-out assets and additional amortisation on computer and GBB software.
- C. Finance costs payments decreased by \$81,000 (12.9%) due to reduced loan balances.
- D. Cash and cash equivalents decreased by \$10,173,000 (86.2%) due to the return of a security deposit in relation to reserve capacity security for a defaulted market participant.
- E. Other assets decreased by \$35,000 (11.5%) due to full settlement of ERA GST recouped from market participants.
- F. Property, plant and equipment decreased by \$744,000 (43.7%) due to the reduction in useful economic life of computer equipment and office fit-out assets.
- G. Intangible assets decreased by \$2,850,000 (19.9%) due to the amortisation charge being higher than the capital expenditure incurred.
- H. Other current liabilities decreased by \$9,770,000 (91.4%) due to the return of a security deposit in relation to reserve capacity security for a defaulted market participant.
- I. Current provisions increased by \$208,000 (62.7%) due to additional provisions being recognised for annual and long service leave.
- J. Non-current borrowings decreased by \$3,250,000 (32.1%) due to reduced loan balances.
- K. Other non-current liabilities decreased by \$85,000 (13.8%) due to the transfer of the lease incentive from non-current to current for the period.
- L. Non-current provisions increased by \$42,000 (15.2%) due to additional provisions being recognised for annual and long service leave during the year.
- M. Equity decreased by \$1,582,000 (45.7%) due to the current year's deficit result.
- N. Goods and services tax net receipts/(payments) decreased by \$168,000 (672.2%) due to the return of ERA GST reimbursement to the ATO.
- O. Net cash used in the purchase of property, plant and equipment increased by \$50,000 (26.7%) due to additional expenditure on computer equipment.
- P. Net cash used in the purchase of intangible assets decreased by \$1,034,000 (37.5%) due to lower levels of expenditure on computer software.
- Q. Market settlement default (refund)/ receipts decreased by \$13,118,000 (200%) due to market settlement default received in prior year in relation to reserve capacity security for a defaulted market participants but refund market participants in current year.
- R. Prepaid amounts from market participants decreased by \$6,883,000 (181.7%) due to less prepaid amount in current year compared to prior year.
- S. Finance costs decreased by \$81,000 (12.9%) due to reduced loan balances.
- T. Repayments of borrowings were increased by \$1,399,000 (94.5%) due to additional repayment of loans during the year.



## Auditor General

### INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

### INDEPENDENT MARKET OPERATOR

I have audited the financial report of the Independent Market Operator. The financial report comprises the Statement of Financial Position as at 30 June 2015, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, Notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration.

#### Directors' Responsibility for the Financial Report

The directors of the Independent Market Operator are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Electricity Industry (Independent Market Operator) Regulations 2004, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

As required by the Electricity Industry (Independent Market Operator) Regulations 2004, my responsibility is to express an opinion on the financial report based on my audit. The audit was conducted in accordance with Australian Auditing Standards. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Independent Market Operator's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Independent Market Operator's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### Independence

In conducting this audit, I have complied with the independence requirements of the Auditor General Act 2006 and Australian Auditing Standards, and other relevant ethical requirements.

**Opinion**

In my opinion, the financial report of the Independent Market Operator is in accordance with schedule 3 of the Electricity Industry (Independent Market Operator) Regulations 2004, including:

- (a) giving a true and fair view of the Independent Market Operator's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

**Matters Relating to the Electronic Publication of the Audited Financial Report**

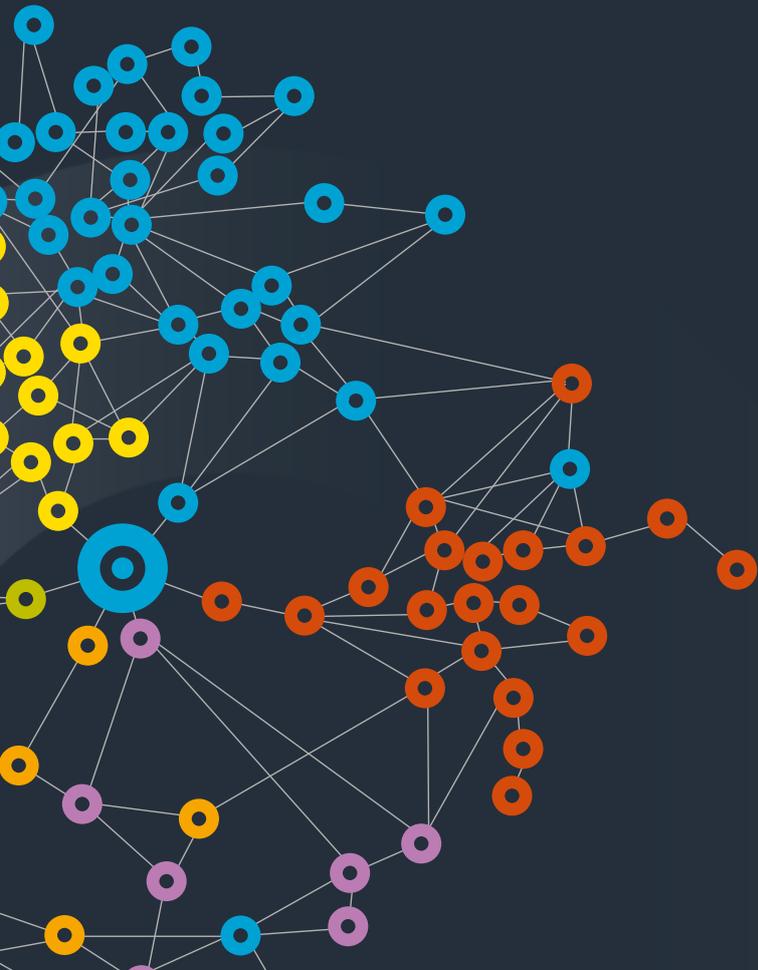
This auditor's report relates to the financial report of the Independent Market Operator for the year ended 30 June 2015 included on the Independent Market Operator's website. The Independent Market Operator's management is responsible for the integrity of the Independent Market Operator's website. This audit does not provide assurance on the integrity of the Independent Market Operator's website. The auditor's report refers only to the financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

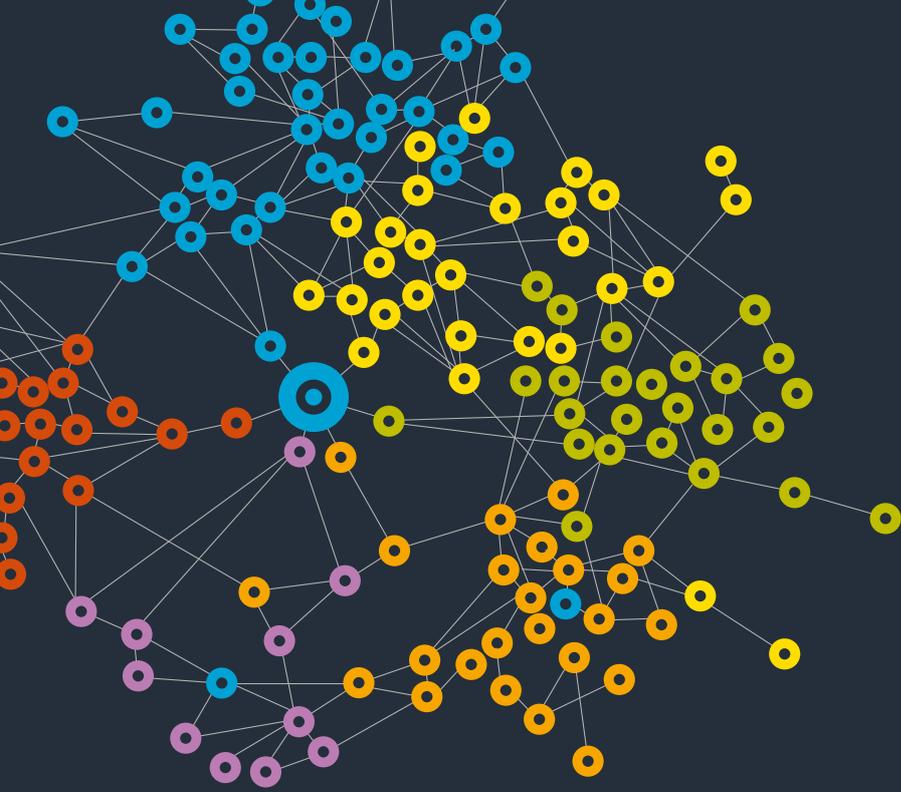


DON CUNNINGHAME  
ASSISTANT AUDITOR GENERAL FINANCIAL AUDIT  
Delegate of the Auditor General for Western Australia  
Perth, Western Australia  
24 September 2015

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INDEPENDENT  
MARKET  
OPERATOR

# Annual Report 2013/14

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