



Energy for
generations

ESB Generation and Trading's
Response to the Market Audit 2023
Consultation
(SEM-23-090)

28/12/2023

1. INTRODUCTION

ESB Generation and Trading (GT) welcomes the opportunity to respond to Trading and Settlement Code Terms of Reference for the Market Audit 2023 Consultation Paper (SEM-23-090) which is consulting on the scope of the audit and the approach to be applied for the period from 1st of January 2023 to 31st of December 2023.

2. ESB GT RESPONSE

The market audit process is a key assurance to market participants that SEMO has acted in line with the provisions of the Trading and Settlement Code and the Agreed Procedures. ESB GT is conscience that the market audit process brings with it a significant operational overhead for SEMO, but we believe that the assurance that the audits bring is one of the key services that SEMO provides to market participants.

ESB GT notes that the consultation highlights the tension between the potential to extend the scope of the audit process and effort and time required to complete the process. Further in proposing the core SEMO audit scope without expansion the consultation sets out that as the market audit for 2023 is behind schedule and any expansion of the scope would risk not identifying potential issues in a timely manner.

ESB GT notes that this proposed scope of audit has been applied is each audit process since the period January'20 – December'20. While ESB agrees with the proposal to prioritise the timely completion of the audit process over the potential extension of the scope for 2023 we believe that the SEM Committee should extend the subsequent 2024 market audit scope to focus on the areas of market development. In particular those market developments currently being implemented through Eirgrid's Future Power Market programme such as the battery integration and treatment of non-priority dispatch renewables where they are deployed in the 2024 period. This approach would align with the 2019 market audit scope (period 1 October 2018 – 31 December 2019) where the SEM Committee directed that the audit would focus testing on calculations performed at resettlement after fixes had been deployed by SEMO.

ESB GT notes that following the consultation process for the 2022 audit process it was determined by the RAs to change the materiality level in the market audit process from 0.25% to 0.5% of the estimated annual market value of electricity traded in the SEM, as governed by the TSC. In the 2023 consultation it is proposed to retain the 0.5% materiality level.

ESB GT remains concerned that 0.5% level is too high and risks not capturing important issues that would have been capture under the 0.25% level. ESB GT asks that the RAs reconsider this proposal but where it is determined that the materiality level is to remain at the higher level of 0.5% ESB GT asks that the RAs inform market participants of the estimated cost and/or time savings that are expected to result from the reduction in the granularity of the audit process.

Finally, ESB GT is concerned that the dispute resolution process remains an opaque aspect of the operation of the TSC. ESB GT notes that previously modification proposals have sought to clarify the role of the dispute resolution board and improve the degree of transparency brought to bare on the dispute resolution process. The most recent of which proposed in 2020 with the intent of allowing for decisions of the dispute resolution board to be made publicly available to market participants, while maintaining the confidentiality of disputing parties. While SEMO have published market messages relating to dispute resolution board decisions ESB GT considers that these market messages offer limited insight into the substance of the dispute and therefore limited assurance that important information has been made available to parties impacted by the dispute but not more widely to the market.

ESB GT believes that there is a role for the market audit to improve the transparency of the dispute resolution process with the potential for the audit to include a plain English summary of any dispute resolution board decisions in the audit period.

If this is considered too onerous for the 2023 audit scope, ESB GT believes that at a minimum the audit should include a report on the number of disputes to which SEMO was a party in the audit period, the number of these disputes that were brought to the dispute resolution board, the number of determinations made by the dispute resolution board and the number of notices of dissatisfaction subsequential submitted to the dispute resolution board. ESB GT believes that this would be an important further step towards improving the transparency of the dispute resolution process.