



## **Trading and Settlement Code**

### **Terms of Reference for the Market Audit 2025**

#### **Consultation Paper**

**25 July 2025**

**SEM-25-036**

## 1 BACKGROUND

Paragraph B.16.1.3 of the Trading and Settlement Code (“TSC” or “the Code”) requires the Market Auditor to conduct an audit of the Code, its operation and implementation of the operations, trading arrangements, procedures and processes under the Code at least once a year.

Paragraph B.16.1.5 of the Code requires the Regulatory Authorities (“RAs”) to consult with the parties to the Code on the terms of reference for the audit. Paragraph B.16.1.6 requires the RAs to specify annually the precise terms of reference for the audit following a consultation process.

The purpose of this paper is to set out the RAs’ proposed scope of the 2025 audit together with reporting arrangements.

A Market Audit has been historically conducted on an annual basis. Over the years, the scope has extended and changed to account for specific developments in the market and requests from market participants, on the basis of a core audit on activities of the Single Electricity Market Operator (“SEMO”).

The Market Audit 2024 has now been completed, with [the Independent Market Auditor’s Report](#) published on the SEMO website in June 2025. It was a core SEMO audit. The Market Audit 2024 was reported under ISAE 3000 Assurance Opinion<sup>1</sup>. Based on reasonable assurance engagement, SEMO was found, in all material respects, compliant with the TSC and relevant Agreed Procedures (“APs”) as set out in the Terms of Reference for the Market Audit 2024 for the period from 1 January 2024 to 31 December 2024 ([SEM-24-077](#)).

## 2 PROPOSED 2025 AUDIT SCOPE

### 2.1 Period of Audit

The RAs propose that the Market Audit 2025 covers the 12-month period from 1 January 2025 to 31 December 2025. As specified under paragraph B.16.1.4 of the TSC, the annual period covered by the audit shall be 1 January to 31 December unless the terms of reference specify a different period.

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<sup>1</sup> International Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information.

## 2.2 Scope of Audit – Limited expansion

The RAs propose that the Market Audit 2025 is a core SEMO audit, with limited expansion into the calculation, application and reporting of Market Operator charges (fixed and variable) and imperfection charges within the TSC – similar to the Market Audit 2021.

The core SEMO audit will cover, inter alia, the following areas:

- Accession & Registration
- Imbalance Settlement Price calculation and recalculation
- Settlement Production and Reruns (to include all of the Market Operator Charges)
- Currency and balancing charges
- Invoices, payments, and credit cover
- Queries and disputes
- Code development
- Information publication
- Communication channels, systems, and operation

The core SEMO audit will provide reasonable assurance, within a reasonable timeframe, to the RAs and Market Participants that market pricing and settlement activities are being carried out by SEMO in accordance with the TSC and its APs.

The Market Audit 2021 covered the calculation, application and reporting of the Market Operator charges and imperfection charges ([SEM-21-082](#)).

In 2022, ESB Generation and Trading (“ESB GT”) pointed out that in the proposed Terms of Reference for the Market Audit 2022 ([SEM-23-033](#)), it was unclear whether the limited expansion, as covered by the Market Audit 2021, would continue to apply.

More specifically, ESB GT sought clarity as to whether the calculation, application and reporting of the Market Operator charges (fixed and variable) and imperfection charges would be included in the 2022 and future Market Audits. ESB GT supported the inclusion of the same limited expansion in the Market Audit 2022 and future audits.

Considering the time limit for the Market Audit 2022 ([SEM-23-048](#)), 2023 ([SEM-24-007](#)), and 2024 ([SEM-24-077](#)), the RAs proposed and decided to proceed with core audits without expansion, focusing on the activities of the Single Electricity Market Operator (“SEMO”) under the TSC and its Agreed Procedures and covering the systems and processes within the control of the SEMO.

Aware that an expansion of the scope may add value to the market audits, the RAs propose limited expansion into the calculation, application and reporting of Market Operator charges

(fixed and variable) and imperfection charges within the TSC – similar to the Market Audit 2021.

The methodology for calculating, applying, and reporting these charges is important to market participants. Accordingly, the RAs consider that extending the audit scope would add value and offer assurance to both the RAs and the market.

## **2.3 Approach of Reporting**

The RAs propose that the Market Audit 2025 is to be reported under the ISAE 3000 Assurance Opinion. The RAs consider this reporting approach as providing the greatest value to both the RAs and Market Participants upon SEMO's compliance with the TSC.

## **2.4 Materiality Level**

The RAs propose that the materiality level for the Market Audit 2025 remains at 0.5% of the estimated annual market value of electricity traded in the SEM, as governed by the TSC. The quantitative threshold for reporting significant issues remains at 10% of the materiality value, which is 0.05% of the estimated annual market value.

# **3 PREFERRED APPROACH**

As explained above, the RAs propose that the Market Audit 2025 covering the 12-month period from 1 January 2025 to 31 December 2025 is to be a core SEMO audit and reported under the ISAE 3000 Assurance Opinion.

The RAs favour an Audit upon the Core SEMO activities with limited expansion into the calculation, application and reporting of Market Operator charges (fixed and variable) and imperfection charges within the TSC, as it would provide value to market participants and the RAs. The RAs invite views and opinions on the option to expand the audit, and any alternative approaches for the Market Audit.

The RAs propose that the materiality level remains at 0.5% of the estimated annual market value of electricity traded in SEM, as governed by the TSC. The quantitative threshold for reporting significant issues remains unchanged, i.e., 10% of the materiality value, which is 0.05% of the estimated annual market value.

Any views on the proposed scope as set out in section 2 are welcomed from interested parties.

# **4 CONSULTATION AND NEXT STEPS**

In presenting this paper for consultation, the SEM Committee seeks views on the proposed scope for the Market Audit 2025 as set out in section 2 of this consultation paper.

Responses to this Consultation Paper should be sent to Aline M Martellini ([ammartellini@cru.ie](mailto:ammartellini@cru.ie)) and Caroline Winder ([caroline.winder@uregni.gov.uk](mailto:caroline.winder@uregni.gov.uk)) by 17:00 on 22 August 2025. Please note that the SEM Committee intends to publish all responses unless marked confidential.<sup>2</sup>

Following closure of this consultation, the RAs will consider the responses received as per above and decide on the terms of reference for the Market Audit 2025. The final terms of reference will be published in a Decision Paper on the SEM Committee website in due course.

The Market Auditor will then begin work on this audit. To ensure that the audit is conducted in an efficient and effective manner, the Market Auditor will report to the RAs on the progress on a monthly basis. The full audit report is due to be published in 2026.

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<sup>2</sup> While the SEMC does not intend to publish responses marked confidential, please note that both Regulatory Authorities are subject to Freedom of Information legislation.