



## **Trading and Settlement Code**

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

**Decision Paper**

**8 September 2025**

**SEM-25-051**

## 1 EXECUTIVE SUMMARY

The Trading and Settlement Code (“TSC” or “the Code”) forms part of the legal and regulatory framework that governs the Single Electricity Market (“SEM”). The Code governs the trading and settlement arrangements for the Balancing Market and the settlement arrangements for the Capacity Market. The Single Electricity Market Operator (“SEMO”) is responsible for the administration and operation of the Code.

Under Section B.16 of the TSC Part B, the Regulatory Authorities (“RAs”) shall appoint a person or firm as Market Auditor. The Market Auditor shall conduct an audit of the Code, its operation and implementation and the operations, trading arrangements, procedures and processes under the Code at least once a year. The RAs shall specify annually the precise terms of reference (“ToR”) for the audit following a consultation process.

This decision paper sets out the ToR that the SEM Committee has determined for the Market Audit 2025. This is following the publication of the Trading and Settlement Code Terms of Reference for the Market Audit 2025 Consultation Paper ([SEM-25-036](#)) and subsequent review of the response received.

In total, the RAs received one response. Having reviewed this response, the SEM Committee has made the following decisions on the ToR for the Market Audit 2025:

<b>Period of audit</b>	1 January 2025 – 31 December 2025
<b>Scope of audit</b>	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, covering the following areas: <ul style="list-style-type: none"><li>• Accession &amp; Registration</li><li>• Imbalance Settlement Price calculation and recalculation</li><li>• Settlement Production and Reruns (to include all of the Market Operator Charges)</li><li>• Currency and balancing charges</li><li>• Invoices, payments, and credit cover</li><li>• Queries and disputes</li><li>• Code development</li><li>• Information publication</li><li>• Communication channels, systems, and operation</li></ul>
<b>Reporting approach</b>	ISAE 3000 Assurance Opinion
<b>Materiality level</b>	0.5% of the estimated annual market value of electricity traded in the SEM, as governed by the Code. A lower threshold of 10% of the materiality value is set for reporting significant issues.

Following publication of this decision paper, the RAs will engage with the Market Auditor on the audit. Subject to approval by the SEM Committee, the final audit report will be presented to the industry at the SEM TSC Modifications Committee and published on the SEMO website.

## 2 BACKGROUND

Paragraph B.16.1.3 of 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 RAs to consult with the parties to the Code on the ToR for the audit. Paragraph B.16.1.6 requires the RAs to specify annually the precise ToR for the audit following this consultation process.

The purpose of this paper is to set out the ToR for the Market Audit 2025 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 SEMO.

The [final report for the Market Audit 2024](#) was published on the SEMO website on 29 April 2025. The Market Audit 2024 was a core SEMO audit and was reported under the ISAE 3000 Assurance Opinion<sup>1</sup>. Based on reasonable assurance engagement, SEMO was found, in all material respects, compliant with the Code and the relevant Agreed Procedures (“APs”) as set out in the ToR for the Market Audit 2024 for the period of 01 January 2024 – 31 December 2024.

## 3 PROPOSED 2025 AUDIT SCOPE

On 25 July 2025, the SEM Committee published a consultation paper on the proposed ToR for the Market Audit 2025 ([SEM-25-036](#)). The key proposals are outlined below.

### 3.1 Period of Audit

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

### 3.2 Scope of Audit - limited expansion

The RAs proposed that the Market Audit 2025 be 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:

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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.

- 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 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”) 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 that inclusion.

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 SEMO under the TSC and its APs and covering the systems and processes within the control of the SEMO.

Aware that an expansion of the scope might add value to the market audits, the RAs proposed limited expansion into the calculation, application and reporting of Market Operator charges (fixed and variable) and imperfection charges within the TSC for the Market Audit 2025 – similar to the Market Audit 2021.

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

### **3.3 Reporting Approach**

The RAs proposed that the Market Audit 2025 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 Code.

### **3.4 Materiality Level**

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

## 4 RESPONSE RECEIVED

One response was received from:

- (1) SEMO

SEMO acknowledged the proposed core SEMO audit with limited scope expansion to include the calculation, application, and reporting of Market Operator charges, and the materiality threshold remaining at 0.5%. SEMO provided no further comments.

## 5 DECISION AND RATIONALE

Having reviewed the response received, the SEM Committee has made the following decisions.

### 5.1 Period of audit

The SEM Committee has decided that the Market Audit 2025 covers the 12-month period from 1 January 2025 to 31 December 2025.

### 5.2 Scope of audit - limited expansion

The SEM Committee has decided 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.

This 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 audit will focus on activities of SEMO under the Code and its APs and cover the systems and processes within the control of SEMO. The audit will not include activities undertaken by the System Operators, Meter Data Providers and other participants as set out in the Code and its APs.

### 5.3 Reporting approach

The SEM Committee has decided that the Market Audit 2025 is to be reported under the ISAE 3000 Assurance Opinion. Consistent with the report in previous years, the Market Auditor's report will list all significant issues, and any other issues identified by the Market Auditor, in addition to the conclusion and, where applicable, material issues.

#### 5.4 Materiality level

The SEM Committee has decided that the quantitative threshold for reporting material issues is 0.5% of the estimated annual market value as governed by the Code.

A lower quantitative threshold of 10% of the materiality value, i.e., 0.05% of the estimated annual market value as governed by the Code, is set for reporting significant issues. It should be noted that there may be qualitative aspects in determining the significance of any issue. That means, the Market Auditor shall report on issues that come to its attention which exceed the quantitative threshold or which it believes to be significant for other reasons.

### 6 NEXT STEPS

Following publication of this decision paper, the RAs will engage with the Market Auditor on the audit.

Subject to approval by the SEM Committee, the final Market Auditor's Report will be presented to the industry at the SEM TSC Modifications Committee and published on the SEMO website.