Trading and Settlement Code

Terms of Reference for the Market Audit 2026

Decision Paper

24 November 2026

SEM-26-78

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 2026. This is following the publication of the Trading and Settlement Code Terms of Reference for the Market Audit 2026 Consultation Paper (SEM-26-67) and subsequent review of the response received.

The RAs received one response. Having reviewed this response, the SEM Committee has made the following decisions on the ToR for the Market Audit 2026:

Period of audit	1 January 2026 – 31 December 2026
Scope of audit	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: • 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 Additionally, the 2026 Market Audit has been further extended to include a limited examination of certain Meter Data Providers ("MDPs") activities. The review cover activities undertaken by the MDPs in the areas relating to Settlement Reruns (to include Timetabled and any ad-hoc Settlement Reruns) and Settlement Queries and Disputes.
Reporting approach	ISAE 3000 Assurance Opinion

Materiality level	In relation to the Core SEMO Audit, 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. With respect to MDPs work, the same percentage threshold (a materiality level of 0.5%, with a reporting threshold for Significant Issues set at 10% of the materiality level) of the total aggregate metered volume reported by each MDP during the year.

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 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 2026 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 final report for the Market Audit 2025 was published on the SEMO website in September 2026. It was 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. The Market Audit 2025 was reported under ISAE 3000 Assurance Opinion[1]. Based on reasonable assurance engagement, except for the matter described in the Basis for Qualified Conclusion section, 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 2025 for the period from 1 January 2025 to 31 December 2025 (SEM-25-051).

[1] International Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information.

3 PROPOSED 2026 AUDIT SCOPE

On 9 October 2026, the SEM Committee published a consultation paper on the proposed ToR for the Market Audit 2026 (SEM-26-67). The key proposals are outlined below.

3.1 Period of Audit

The RAs proposed that the Market Audit 2026 cover the 12-month period from 1 January 2026 to 31 December 2026. 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.

3.2 Scope of Audit – Limited expansion and examination of certain activities of the MDPs.

The RAs proposed that the Market Audit 2026 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 - similarly to the Market Audit 2021 and 2025.

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

Additionally, the RAs proposed that the scope of the 2026 Market Audit be further extended to include a limited examination of certain MDPs activities. The proposed review would cover activities undertaken by the MDPs in the areas relating to Settlement Reruns (to include Timetabled and any ad-hoc Settlement Reruns) and Settlement Queries and Disputes. More specifically, the key obligations include:

- The requirement to provide meter data for each scheduled settlement run in accordance with C.6.1.2 (as further detailed in AP16 and Appendix L);
- The requirement to provide meter data for each ad hoc settlement run in accordance with C.6.1.2 (as further detailed in AP16 and Appendix L); and
- The requirement to facilitate the investigation and resolution of queries and disputes in accordance with C.6.1.9 (as further detailed in AP13 and AP 14 including timelines to provide update data).

3.3 Approach of Reporting

The RAs proposed that the Market Audit 2026 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.

3.4 Materiality Level

The RAs proposed that the materiality level for the Core SEMO scope (including the calculation, application and reporting of Market Operator charges and imperfection charges under the TSC), for the Market Audit 2026, remain 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.

With respect to MDP work, the RAs proposed applying the same percentage threshold (a materiality level of 0.5%, with a reporting threshold for Significant Issues set at 10% of the materiality level) of the total aggregate metered volume reported by each MDP during the year.

4 RESPONSES RECEIVED

One response was received from:

(1) SEMO

SEMO acknowledged the proposed scope and provided no further comments.

5 DECISION AND RATIONALE

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

5.1 Period of audit

The SEM Committee has decided that the Market Audit 2026 covers the 12-month period from 1 January 2026 to 31 December 2026.

5.2 Scope of Audit – Limited expansion and examination of certain activities of the MDPs.

The SEM Committee has decided that the Market Audit 2026 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 - similarly to the Market Audit 2021 and 2025.

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).

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.

Recognising the additional value delivered through the expanded scope of the 2025 Market Audit, The SEM Committee has decided that a similar approach is maintained for the 2026 Market Audit.

Additionally, the SEM Committee has decided that the 2026 Market Audit is further extended to include a limited examination of certain MDPs activities. The review will cover activities undertaken by the MDPs in the areas relating to Settlement Reruns (to include Timetabled and any ad-hoc Settlement Reruns) and Settlement Queries and Disputes. More specifically, the key obligations include:

- The requirement to provide meter data for each scheduled settlement run in accordance with C.6.1.2 (as further detailed in AP16 and Appendix L);
- The requirement to provide meter data for each ad hoc settlement run in accordance with C.6.1.2 (as further detailed in AP16 and Appendix L); and
- The requirement to facilitate the investigation and resolution of queries and disputes in accordance with C.6.1.9 (as further detailed in AP13 and AP 14 including timelines to provide update data).

Settlement outcomes are dependent on the completeness, accuracy and validity of relevant data. Data errors affecting one party may have implications for other parties, for example through the Error Supply Unit process. Metered volume errors and exceptions may also arise from a variety of sources. In addition, suppliers rely on data processed and provided by MDPs for settlement

volume allocation. An examination of the reliability and integrity of the underlying MDPs processes will provide valuable assurance to market participants.

The estimation and aggregation functions envisaged under C.6.1.7 and C.6.1.8 are expressly excluded from the proposed review.

5.3 Reporting approach

The SEM Committee has decided that the Market Audit 2026 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.

With respect to MDP work, the same percentage threshold is set, namely, a materiality level of 0.5%, with a reporting threshold for Significant Issues set at 10% of the materiality level of the total aggregate metered volume reported by each MDP during the year.

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.