

Rachel Strong  
Commission for Regulation of Utilities  
The Exchange  
Belgard Square North  
Tallaght  
Dublin 24  
[rstrong@cru.ie](mailto:rstrong@cru.ie)

Karen Shiels  
Utility Regulator  
Queen's House  
14 Queen Street  
Belfast  
BT1 6ED  
[karen.shiels@uregni.gov.uk](mailto:karen.shiels@uregni.gov.uk)

**RE: Trading and Settlement Code (TSC) Terms of Reference for the Market Audit 2020, SEM-20-041 (the "Consultation")**

**15<sup>th</sup> July 2020**

Dear Rachel and Karen,

Bord Gáis Energy (**BGE**) welcomes the opportunity to respond to this consultation on the Trading and Settlement Code Terms of Reference for the Market Audit 2020.

BGE understands the Regulatory Authorities (**RAs**)' desire to move back to the traditional audit reporting "assurance" approach rather than using last year's "factual findings" approach given that the majority of market cutover and legacy activities have been completed. While the RAs' view is that the SEM is outside of its stabilisation phase, the number of known issues<sup>1</sup> in the SEM is higher than it was this time last year. In this respect we request confirmation that the scope of the Core SEMO Audit proposed by the RAs will also cover testing of calculations performed at resettlement after fixes have been deployed to ensure robust solutions are being implemented. Such confirmation would in our view provide additional reassurance to market participants as to the stability of the market and its processes.

There is value to be gained from understanding whether SEMO is correctly operating core activities in compliance with the TSC, as should be revealed by a Core SEMO Audit. While the RAs list the areas of the TSC that will be reviewed under the Audit, to maximise the value of the audit BGE requests confirmation that this audit will include (or if it was not intended to include, that it would be expanded to include):

1. A review of the largest defects in the market and their effective closure/ resolution through resettlement or otherwise. The size of the defect to be audited could be determined for example in terms of the number of participants affected and quantum of impact on the market/ any one participant. Examples include the CFC defect (including CNL), CRM FX rates. Ideally the audit will take into account the ad hoc resettlement planned for October 2020 as well as other scheduled and ad hoc 2020 resettlements;
2. A review under the "queries and disputes" element of the audit, of compliance with requirements to notify market participants that are affected by submitted queries and disputes with a view to getting assurance on SEMO's processes for determining impacts and affected parties.

An additional consideration is possible expansion of the Core SEMO Audit to the TSO's compliance with its scheduling and dispatch processes to assure market participants that they are in line with their expectations given for example changes in the function from old SEM to new SEM. In this regard the Balancing Market Principles Statement - BMPS – provides that an audit with respect to the operation and implementation of the scheduling and dispatch process would be carried out in Q1 2020. This TSC market audit may be an avenue to kick-start this BMPS audit. It may also prove insightful to those areas of the market where constraint actions are primarily focused; key drivers for dispatch balancing costs; and where the potential for local market power issues to arise are which may need mitigation.

Finally, going forward annually we request updates by SEMO, TSO on any steps taken or planned to resolve or address issues with their processes/ procedures/ activities discovered on foot of the annual audits such that

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<sup>1</sup> The most recent Known Issues Report available to date being 10<sup>th</sup> July 2020 <https://www.sem-o.com/documents/general-publications/ISEM-Known-Issues-Report-10-July-2020.pdf>

assurances on compliance are reinforced through follow up actions where the need for such has been identified on foot of annual audits.

I hope you find the above comments and suggestions helpful but please do not hesitate to contact me should you wish to discuss further.

Yours sincerely,

**Julie-Anne Hannon  
Regulatory Team – Commercial  
Bord Gáis Energy**

*{By email}*