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RE: SEM-20-073 - Consultation on Capacity Market Code Terms of Reference for the Year 2 Market Audit

Dear Kevin and Kevin,

Bord Gáis Energy (**BGE**) welcomes the opportunity to respond to this consultation on Capacity Market Code Terms of Reference for the Year 2 Market Audit.

In principle, BGE welcomes that the Terms of Reference for the audit of Year 2 operations of the Capacity Market Code will mirror those that covered the audit in Year 1. Consistency of approach and reporting is important to ensure the operation of the CMC within its scope and in line with requirements. Similarly, the retainment by the Regulatory Authorities of the requirements set out in SEM Committee Decision Paper SEM-17-023¹ supports continuity in the approach, roles and completion of the audit process including the application of recognised international standards².

BGE believes it is important that the upcoming audit on Year 2 operations examines **the effectiveness of the auctions in meeting the CMC requirements under the auction format(s) used**. We see this as an important review of the success, and potential shortcomings, of the auction formats used to date given the pending introduction of Auction Format D for the next capacity auction (Capacity Year 2024/25 T-4) that is due to be run in January 2021. We welcome any views the audit may have relating to the previous auction formats to demonstrate any improvements that Auction Format D is seeking to address.

BGE continues to support the **independent oversight of the CMC operations played by both the Auction Monitor and Auction Auditor**. Our position remains that these two roles should remain separate and be performed by different entities to avoid any potential undermining of the integrity of each role due to perceived/actual conflicts of interest that may arise. The roles and duties of the Auditor and Monitor in the Capacity Market are part of a governance system which ensures a transparent and well-functioning market, and we support the position set out by the SEM Committee that *"The Monitor and Auditor will be independent of the System Operators. The SEM Committee considers it preferable that the Monitor or Auditor does not have a commercial contractual relationship with the System Operators."*³

¹ SEM-17-023: Capacity Remuneration Mechanism Terms of Reference for the Capacity Market Auditor and Capacity Auction Monitor

² International Standard on Assurance Engagements (ISAE 3000).

³ SEM-17-023 (pg2) - Capacity Remuneration Mechanism Terms of Reference for the Capacity Market Auditor and Capacity Auction Monitor

BGE would welcome the auditor's views on the **embedding by the System Operator of the solutions to issues identified in the last audit report**, particularly with regards to the publication of participant relevant information. One matter identified in Deloitte's Capacity Market Audit report for Year 1 operation (dated 14 July 2020) was "Information not published as required"⁴. The item was not reported as significant in nature and evidenced aspects relating to the publication of certificates and information onto the System Operator's website. It is however a theme that is important to participants who look to the System Operator to publicly provide information on all market participants for transparency. High levels of transparency of information are increasingly important for market participants, especially now with the implementation of the Supplementary Secondary Trading Arrangements for capacity contracts and the reliance on up-to-date Capacity Contract registers. The System Operator's website (SEMO) is an important communications and information tool to participants, and we feel it is important that the website is as clear and informative as possible for all market participants.

I hope you find the above comments and suggestions helpful. If you have any queries thereon please do not hesitate to contact me.

Yours sincerely,

Ian Mullins
Regulatory Affairs – Commercial
Bord Gáis Energy

{By email}

⁴ Deloitte's Capacity Market Audit report for Year 1 operation (dated 14 July 2020)- Section 4 Other Matters Arising, #5 (pg10)