



**Single Electricity Market
(SEM)**

Capacity Market Code

**Terms of Reference for the Year 6 Market Audit -
Decision Paper**

SEM-25-012

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1. BACKGROUND

Paragraph B.11.2.1 of the Capacity Market Code (CMC), requires the Market Auditor to conduct an audit of the CMC, its operation and implementation of the arrangements, procedures and processes under the CMC at least once a year.

Paragraph B.11.2.3 of the Code requires the Regulatory Authorities (RAs) to consult with Parties on the Terms of Reference (TOR) for the audit. The last Audit Report was published on the 04 March 2025 and paragraph B.11.2.3 indicates Parties shall be consulted on the terms of reference for the next audit following the publication of the Audit Report. Paragraph B.11.2.4 requires the RAs to annually specify the precise Terms of Reference for the audit following a consultation process.

The purpose of this paper is to set out the SEM Committee decision for the scope of the Year 6 audit together with the reporting arrangements.

The first Capacity Market audit for Year 1 was conducted in 2019/20. The second Capacity Market audit for Year 2 was conducted in 2020/21. The RAs are cognisant of the delay to the Year 3 Capacity Market audit with both Year 3 and Year 4 audit reports published on 6th March 2024. The Year 5 Capacity Market Audit Report was published on 04 March 2025¹.

The RAs revisited the original TOR set out in SEM-17-023² alongside the Year 5 TOR Decision Paper and considered whether the scope for the Year 6 Audit report should be changed.

2. PROPOSED YEAR 6 AUDIT SCOPE

On 10 March 2025, the RAs published the Consultation Paper on the proposed Terms of Reference for the Year 6 Capacity Market Audit (SEM-25-005³). The consultation closed for responses on 21 March 2025 with no responses received by the RAs. The SEM Committee proposed that the Year 6 audit will cover the twelve-month period of 1 May 2023 – 30 April 2024. The audit would incorporate the following Capacity Auctions:

¹ [Capacity Market Auditor Report Year 5.pdf](#)

² [SEM-17-023](#)

³ [SEM-25-005](#)

- T-1 2023/2024 Capacity Auction – which took place on 18 July 2023
- T-4 2027/2028 Capacity Auction - which took place on 26 October 2023
- T-1 2024/2025 Capacity Auction - which took place on 25 April 2024

The SEM Committee also recommended that the Auditor’s Opinion will continue to be conducted under the International Standard on Assurance Engagements (ISAE 3000) and that the Year 6 audit report will mirror the Terms of Reference set for Year 5. This includes:

- Accession and Registration.
- Default, Suspension and Termination.
- Qualification.
- Operation of the auction and award of capacity.
- Secondary trading.
- Implementation agreements.
- SO and other Charges.
- Invoicing and Payment.
- Credit Cover management.
- Disputes.
- Modifications.
- Design Authority / Code development and Systems Upgrade.

3. SEM COMMITTEE DECISION

The SEM Committee has decided to implement the following approach and ToR for the Year 6 Capacity Market Auditor Report:

Timescale

As detailed within CMC B.11.2.2, the annual period covered by the audit shall be 1 January to 31 December unless the terms of reference specify a different period.

The SEM Committee proposes to retain the legacy audit period for this year 6 TOR however the change may be re-evaluated during the next audit scheduling exercise with all parties (RAs/Deloitte and TSOs).

In this instance the Year 6 Audit period should cover the 12-month period between 01 May 2023 – 30 April 2024. The audit would incorporate the following auctions:

- T-1 2023/2024 Capacity Auction – which took place on 18 July 2023
- T-4 2027/2028 Capacity Auction - which took place on 26 October 2023
- T-1 2024/2025 Capacity Auction - which took place on 25 April 2024

Reporting

The basis of the Auditor's Opinion for the previous four years Audit Reports were conducted under the International Standard on Assurance Engagements (ISAE 3000). Taking account of the fact that ISAE 3000 requires the Auditor to provide an assurance opinion, the SEM Committee have decided that in conducting the Year 6 Audit Report, the Auditor will continue to do so under ISAE 3000.

Terms of Reference

As set out in the Consultation Paper, the SEM Committee proposed that the TOR for the Year 6 Audit remain as set for Year 5. Given that there have been no major changes identified during the proposed audit period, the SEM Committee are of the view there is merit in retaining the Year 5 TOR.

It is the SEM Committee's view that the Year 6 Capacity Market Audit report will include:

- Accession and Registration;
- Default, Suspension and Termination;
- Qualification;
- Operation of the auction and award of capacity;
- Secondary Trading
- Implementation agreements;
- SO and other Charges;
- Invoicing and Payment;
- Credit Cover management;
- Disputes;
- Modifications; and
- Design Authority / Code development and Systems Upgrade

4. NEXT STEPS

Following publication of this paper, the Capacity Market Auditor will complete the Year 6 audit.