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RE: Trading and Settlement Code Terms of Reference for the Market Audit 2014, SEM-14-031

Dear Elaine,

Bord Gáis Energy welcomes this opportunity to respond to the consultation on the Trading and Settlement Code (the Code) Terms of Reference for the Market Audit 2014.

In the context of the three Options put forward in the consultation, BG Energy believes that Option 3 (Core SEMO Audit plus limited expansion to cover Dispatch Instructions) should be pursued at this time. It is considered that it would be practically feasible and minimally disruptive to the ongoing operation of SEM.

We agree that Option 1 (Core SEMO Audit) would provide a reasonable level of assurance to the RAs and Market Participants that market pricing and settlement activities are being carried out by SEMO in accordance with the Code and its Agreed Procedures. However, extending the Core SEMO Audit to reviewing the processes in relation to the issuing of dispatch instructions/ making dispatch decisions would provide an additional and beneficial insight into dispatch decisions not only from the perspective of the current SEM but for the I-SEM project also. An Option 3 assessment should greatly enhance market participants' understanding of the reasons for deviations between the market and dispatch schedules which would clarify the key drivers of dispatch balancing costs.

With regard to the RAs' reference under Option 2 to following up on the findings of previous Market Audits, BG Energy sees some merit in this suggestion which could form part of this year's audit. Being mindful of the time, cost of, and not duplicating audit work, in the first instance MDPs, SEMO and SOs could report what changes/processes have been implemented on foot of the auditors' previous recommendations and the practical/operational impact of those changes. The auditors' role should then be to assess/ test whether the MDP/ SEMO/ SO implementation has been effective in meeting the desired objectives of the original recommendations. Potential anomalies could then be identified and corrected where necessary and possible.

In conclusion, BG Energy does not accept the RAs' view that only a Core SEMO Audit should occur as there is too short a timeframe to implement any changes before the new market on 1 December 2016. On the contrary, Option 3 should provide useful insight not only to current market operations including dispatch processes, and (notwithstanding whether there are changes identified that can or cannot be made before December 2016), Option 3 outputs would help inform the I-SEM project on the need to adapt/ improve/ change processes in the I-SEM post 2016.

I hope you find the above comments helpful. Should you have any queries please do not hesitate to contact me.

Yours sincerely,

Julie-Anne Hannon
Regulatory Affairs – Commercial
Bord Gáis Energy

{By email}