



**Response by Energia to SEM Committee  
Consultation Paper, SEM-15-029**

***Trading and Settlement Code: Terms of Reference for  
the Market Audit 2015***

**4<sup>th</sup> June 2015**

## **1. Introduction**

Energia welcomes the opportunity to respond to this consultation on the terms of reference for Market Audit 2015. We have considered the three options put forward in the consultation paper:

- Option 1 Core SEMO Audit
- Option 2 Core SEMO Audit with follow-up of all previous AuP findings
- Option 3 Core SEMO Audit plus limited expansion to cover Dispatch Instructions

The 2014 audit was limited to a Core SEMO Audit with an assessment of previous AuPs. Given the upcoming transition from SEM to I-SEM and the importance of the Market audit in itself, a more comprehensive assessment is warranted.

### ***Energia's Views***

The SEM Market audit serves an important function in providing necessary oversight and assurance to market participants, regulatory Authorities (RAs), the market operator and other stakeholders. The value and relevance of the audit is defined by its scope and design.

As a market participant we have been broadly supportive of the evolutionary approach that has been favoured by the RAs to date in expanding the scope for the SEM market audit. The progressive but selective expansion of the scope since 2007/8 has struck a reasonable balance. This trend was reversed with the RAs' preference for the core SEMO audit in 2014 with a review of previous AuPs.

Whilst the RAs have outlined no preference here it could be inferred from the lowest cost reference in section 4 and similar sentiment from 2014s' consultation<sup>1</sup> that the minded to position may be for the more reduced scope of option 1. If time and cost are to be counted into the selection process then the costs of the three options needed to be quantified and measured against their benefits in a CBA.

Given the more limited scope of last years' audit there is a need to expand the parameters of the 2015 audit. A broader more comprehensive assessment that includes dispatch instructions will provide confidence to stakeholders that the SEM is functioning properly. The resulting data may also have the added benefit of contributing to the design of the I-SEM.

Energia's preference is for option 3. We contend that the scope of options 1 and 2 are not as useful as option 3 and may not contribute as much to I-SEM.

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<sup>1</sup> <http://www.allislandproject.org/GetAttachment.aspx?id=fb9a5b9f-e330-4c4e-bd06-2d51ca85f345>