

SEM MARKET AUDIT

INDEPENDENT MARKET AUDITOR'S REPORT FOR THE 12 MONTHS ENDED 31 DECEMBER 2012

Market Audit Report – notice re distribution and publication

This notice concerns the Market Audit Report to the Commission for Energy Regulation (CER) and Utility Regulator for Northern Ireland (UR) (together the Regulatory Authorities (the RAs)) on the SEM Market Audit for the 12 months ended 31 December 2012 dated 28 March 2013 (the “Report”).

This notice does not apply to the RAs or Parties to the Code who have signed the “Terms of Release to the Parties to the Code” letter (including their employees acting within the scope of their employment duties).

The requirement for the SEM Market Audit is set out in the Single Electricity Market (SEM) Trading & Settlement Code (“the Code”) designated on 3 July 2007 and as amended from time to time. This Report was prepared by Deloitte & Touche (a partnership established in Ireland and with its registered address at Deloitte & Touche House, Earlsfort Terrace, Dublin 2, Ireland) (“Deloitte”).

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1 INTRODUCTION

1.1 Background

The Single Electricity Market (“SEM”) was developed by the Commission for Energy Regulation (“The Commission” or “CER”) and the Utility Regulator for Northern Ireland (“UR”), together the Regulatory Authorities (“RAs”). The Single Electricity Market Operator (“SEMO”) is responsible for the operation of the SEM. The Trading and Settlement Code (“TSC” or “the Code”) was developed as part of the process of establishing the SEM and constitutes the trading and settlement arrangements for the SEM. The Code was designated on 3 July 2007 and since then has been subject to Modification via the processes set out therein.

The Regulatory Authorities have engaged Deloitte & Touche (“Deloitte”) as SEM Market Auditor to undertake a Market Audit of the SEM as required under the Code. The requirement for a Market Audit is set out in section 2 of the Code in paragraphs 2.131 to 2.143. Specifically:

- The Market Auditor is appointed by the Regulatory Authorities;
- The Market Auditor shall conduct an audit of the Code, its operation and implementation and the operations, trading arrangements, procedures and processes under the Code at least once a year; and
- The Regulatory Authorities shall consult with Parties on the terms of reference for the audit, and specify and publish annually the precise terms of reference for the Market Audit.

The scope of the Market Audit is set out in the “Terms of Reference for the Market Audit SEM-12-072” published on 21 August 2012. The scope of the Market Audit for the period of 1 January 2012 to 31 December 2012 of operation of the market focuses on SEMO compliance with the relevant aspects of the Code and its Agreed Procedures. The scope for SEMO excludes activities undertaken by the Transmission System Operators (“TSOs”), Meter Data Providers and other participants as set out in the Code and Agreed Procedures. The scope also excludes the operation of certain components of the MSP Pricing Engine covering the operation of the Unit Commitment, Economic Dispatch and calculation of Shadow Prices.

The terms of our services in which we act as Market Auditor and the respective areas of responsibility of the Regulatory Authorities, SEMO, other parties and ourselves are set out in our engagement letter to the Regulatory Authorities.

Unless otherwise specified, words and expressions used in this Report have the same meaning as defined in the Code.

1.2 Requirement for Market Audit

The requirement for a Market Audit of the Code is set out in section 2 of the Code in paragraphs 2.131 to 2.143. As specified in the “Terms of Reference for the Market Audit SEM-12-072” published on 21 August 2012 it covers the 12 months from 1 January 2012 to 31 December 2012, including resettlement of previous settlement dates performed within this period.

The “Terms of Reference for the Market Audit” also required that the Market Auditor perform interim audit procedures to cover the first six months of the audit period. Significant Issues and Other Matters noted during the course of our interim and final audit procedures are included in Sections 3 and 4 of this Report; in some cases these issues had been resolved prior to 31 December 2012.

1.3 Report Structure

Section 2 contains our **Market Audit Opinion**. The Market Audit Scope was agreed by the Regulatory Authorities in accordance with the “Terms of Reference for the Market Audit SEM-12-072” published on 21 August 2012.

It has been agreed with the Regulatory Authorities that materiality should be expressed based on an appropriate percentage level of the estimated annual market value of energy traded in the All-Island Market. The percentage level has been set at 0.25% of estimated annual market value of energy traded in the All-Island Market. Planning materiality for the Market Audit has therefore been set at €5.514m (prior period €5.578m) and it will be for Parties to the Code themselves to evaluate the financial impact of any errors or matters arising on their own businesses.

Section 3 contains our **Report of Significant Issues**, setting out matters identified during the course of the audit which, while not material in the context of the audit and not resulting in a qualified Audit Opinion, may have a significant impact on Parties to the Code. Where, in our judgement, matters arising may be significant to individual parties such matters have been included in the Significant Issues Report with sufficient detail so as to allow the Regulatory Authorities and Parties to the Code to evaluate the impact of the cause and circumstances of matters reported. Qualitative and quantitative factors were taken into account when determining the significance of an issue. From a quantitative perspective, in line with the prior period, a threshold of one tenth of the annual materiality value has been applied as a general guideline in determining whether a matter should be included in the Significant Issues Report. The resolution response for each of these points was provided by SEMO, other than where specifically noted.

Section 4 contains details of **Other Matters Arising** which we wish to bring to the attention of the market. They do not represent issues of significant noncompliance and accordingly there is no requirement to report these matters under the terms of the “Terms of Reference for the Market Audit SEM-12-072” published on 21 August 2012. However, we include this section as we believe it may assist the Regulatory Authorities and Parties to the Code to judge for themselves the relative significance of all points reported.

Section 5 contains the **Follow up on Prior Period Issues**, which were brought to your attention in the prior period SEM Independent Market Auditor’s Report, some of which have been resolved and where the points have not yet been resolved they have been referenced into sections 3 and 4 with a current year update.

1.4 Market Operator Monthly Reporting

SEMO is obliged under Clause 2.144 of the Code to issue a Market Operator Monthly Report to the Regulatory Authorities on the performance of SEMO and Parties to the Code. The Monthly Report includes details of the type and status of all Code breaches identified by SEMO and whether the breaches represent deadlines that have not been met, system faults or errors, and whether these breaches have been resolved or remain outstanding at the end of each month. The Market Operator Monthly Reports are available on the SEMO website.

SEMO is required to perform a materiality assessment, using set criteria which are described in the Monthly Reports. The materiality threshold applied is significantly lower than materiality defined for Market Audit purposes.

While the breaches reported in the Monthly Reports represent noncompliance with the Code, we have not repeated in this document those which are below the audit materiality threshold.

2 MARKET AUDIT OPINION

Independent Market Auditor's Assurance Report to the Commission for Energy Regulation ("The Commission" or "CER") and the Utility Regulator of Northern Ireland ("UR") (together "The Regulatory Authorities").

We have performed assurance work over the extent to which the Single Electricity Market Operator ("SEMO") has complied with the Trading and Settlement Code ("Code") and relevant Agreed Procedures as defined in the "Terms of Reference for the 2012 Market Audit" published by the Regulatory Authorities on 21 August 2012 during the 12 month period ended 31 December 2012.

This report is made solely for the Regulatory Authorities, as a body, in accordance with paragraph 2.133 of the Code. Our work has been undertaken so that we might state to the Regulatory Authorities those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Regulatory Authorities and the Parties as a body, for our work, for this report, or for the opinions we have formed. Parties to the Code may only rely on this report if they have agreed in writing to be bound by the conditions under which it has been prepared, in line with the engagement letter.

Unless otherwise specified, words and expressions used in this report have the same meaning as defined in the Trading & Settlement Code.

Responsibilities of the Single Electricity Market Operator, Regulatory Authorities and Parties to the Code (together the "Responsible Party")

The Trading & Settlement Code is a legal agreement which, inter alia, sets out the terms of the trading and settlement arrangements for the sale and purchase of wholesale electricity on the island of Ireland between participating generators and suppliers ("Single Electricity Market"). The Code defines the Rules and Agreed Procedures which are required to be followed by the signatories to the Code ("Parties") who are bound by its provisions.

The functions of the Regulatory Authorities are set out in the Electricity Regulation Act 1999, the Northern Ireland (Miscellaneous Provisions) Act 2006 and in the Code. In the context of the Market Audit the role of the Regulatory Authorities as the Responsible Party is to appoint the Market Auditor and agree the terms of the Market Auditor's appointment, consult on and issue the Terms of Reference for the Market Audit, and receive Market Audit Reports.

SEMO is responsible for the operation of the Single Electricity Market ("SEM") under the Code as set out in paragraphs 2.117 to 2.125 therein and for complying with the requirements of the Code and Agreed Procedures as listed in appendix d to the Code, insofar as they are applicable to SEMO.

The responsibilities of the Parties in respect of the Market Audit are set out in paragraph 2.139 of the Code, which requires parties to provide without charge to the Market Auditor in a timely manner, subject to any obligations of confidentiality, such information as is reasonably required by the Market Auditor to enable the Market Auditor to comply with the functions and obligations and Terms of Reference for the purposes of conducting the audit and preparing and finalising the Audit Report. A person may only become a Party to the Code in accordance with the terms of the Code and the Framework Agreement.

Responsibilities of the Market Auditor

The requirements for the Market Audit are set out in paragraphs 2.131 to 2.143 of the Code, in particular paragraph 2.133 of the Code which sets out that “the Market Auditor shall conduct an audit of the Code, its operation and implementation and the operations, trading arrangements, procedures and processes under the Code”. It is our responsibility as Market Auditor to execute the Market Audit as required under the Code and as set out in the Terms of Reference for the 2012 Market Audit. In the context of this engagement the terms ‘Audit’ and ‘Market Audit’ mean a reasonable assurance engagement performed in accordance with the International Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information”.

The Terms of Reference for the 2012 Market Audit expressly excludes operation of certain components of the MSP Pricing Engine from the scope of the Market Audit. The excluded components are the operation of Unit Commitment, Economic Dispatch and calculation of Shadow Prices. However, the scope includes certain procedures over the SEMO decision process and approvals for the use of the Mixed Integer Programming (“MIP”) solver in place of Lagrangian Relaxation (“LR”).

The following functions performed by the Regulatory Authorities, Data Providers and other Parties or their agents under the Trading & Settlement Code are also excluded from the scope of the Market Audit including, inter alia:

- Generation metering;
- Dispatch instruction logging;
- Metering and aggregation of eligible and profiled customer demand;
- Provision by Parties of Technical and Commercial Offer Data;
- Loss adjustment factors, generator unit technical characteristics and other data provided by Transmission System Operators / Distribution System Operators; and
- Settlement, capacity and other parameters provided by the Regulatory Authorities.

We draw attention to the Market Operator Monthly Reports which list all Code breaches identified by SEMO. Other than where the impact of the issue exceeds the audit materiality threshold, we do not repeat the list of breaches in this document. The Market Operator Monthly Reports are issued by SEMO and are available on its website.

Basis of assurance opinion

We conducted our assurance work in accordance with the International Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information”. That standard requires that we plan and perform our work to obtain appropriate evidence about the subject matter of the engagement sufficient to support an opinion providing reasonable assurance when evaluated against the identified criteria. In the context of the Market Audit the subject matter consists of relevant activities of SEMO which are evaluated against the relevant paragraphs of the Code and applicable Agreed Procedures as set out in the Terms of Reference for the 2012 Market Audit.

Our assurance work includes examination, on a test basis, of evidence relevant to the Code and Agreed Procedures including the review of risks, control objectives and controls associated with SEMO’s performance of their duties and operation of the settlement arrangements. Our testing of the controls comprised review of documentation, corroborative enquiry with key SEMO staff and, on a sample basis, testing the operation of controls and the validity and accuracy of the calculations underlying settlement output.

We planned and performed our assurance work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that SEMO have complied with the Code and relevant Agreed Procedures as defined in the Terms of Reference for the 2012 Market Audit.

For the purpose of our opinion a qualification, in terms of material non-compliance with the Rules and relevant Agreed Procedures of the Code, would arise if we considered the breach to be of such significance that it undermined the robust operation of the settlements process.

We have prepared a Report of Significant Issues which is attached to this opinion setting out matters identified during the course of the audit which, while not material in the context of the audit, may have a significant impact for Parties to the Code. Our opinion should be read in conjunction with the Report of Significant Issues, but is not qualified in respect of matters contained therein.

Opinion

On the basis set out above and subject to the exclusions noted in the Responsibilities of the Market Auditor section above, in our opinion, during the period from 1 January 2012 to 31 December 2012 the Single Electricity Market Operator (“SEMO”) has, in all material respects, complied with the Code and relevant Agreed Procedures as set out in the “Terms of Reference for the 2012 Market Audit” published by the Regulatory Authorities on 21 August 2012.



Deloitte & Touche
Chartered Accountants
Dublin, Ireland

28 March 2013

3 REPORT OF SIGNIFICANT ISSUES

No significant issues identified.

4 OTHER MATTERS ARISING

Issue	Effect	SEMO Response
1. Calculation of CPGPF for Interconnector Units		
<p>Following the IDT system release in July 2012 the calculation of the capacity payment generation price factor does not operate correctly for interconnector units under certain circumstances, specifically when the unit is not scheduled and has submitted more than one price-quantity pair. This is due to a system defect whereby the subtype of certain calculation variables were not updated as part of the IDT system changes.</p>	<p>There is an underpayment of capacity payment to interconnector units for those periods that match the specific circumstances outlined. Since IDT go-live the underpayment has been estimated at less than €4,000.</p>	<p>This defect will be fixed in the SEM R2.2.0 release (May 2013) and this issue will be resolved as part of the M+4 and M+13 resettlement process.</p>
2. July 2012 Capacity Currency Cost		
<p>The currency cost for each capacity period is allocated to individual participants based on their share of the overall capacity market that month, based on their total capacity payments and charges as a proportion of the total capacity payments and charges in the market. Our testing of the calculation of currency cost for the capacity market in July 2012 identified that the total capacity payments and charges for the market did not include capacity payments made to interconnector units prior to the IDT cut-over.</p> <p>We note however that the pre-IDT period was considered for interconnector units when calculating individual unit and participant currency cost charges.</p>	<p>The July capacity market currency cost has been over-charged to the market, with a total impact on the market of approximately €1,300 (approximately 1%).</p>	<p>Agreed. We have raised a defect with our vendors and this will be resolved in the SEM R2.2.0 (May 2013) release.</p>
3. Loss adjustment of interconnector units for Cross-Border VAT calculation		
<p>The calculation of total metered generation by jurisdiction (SWJMGLF) used in the derivation of the cross-border import/export energy percentage for the purposes of calculating the intra and inter-zonal element of energy settlement invoices was not updated to reflect the changes in loss adjustment calculation for interconnector units required by MOD_12_11. We note the specific details of this calculation are not explicitly included in the Code.</p>	<p>When the interconnector unit is exporting this causes an understatement of the total jurisdictional metered generation and hence a slight over-allocation of invoice volumes for inter-zonal trading. The impact for December 2012 has been estimated at approximately €1,200.</p> <p>Note that this will not be corrected through resettlement due to the nature of the calculation.</p>	<p>Agreed. We have raised a defect with our vendors and this will be resolved in the SEM R2.2.0 (May 2013) release.</p>

4 OTHER MATTERS ARISING (CONT'D.)

Issue	Effect	SEMO Response
4. Data Migration for IDT Implementation		
<p>SEMO IT completed a number of data migration tests prior to the live IDT data migration. A detailed data migration plan was followed and issues logs, detailing the issues identified from testing of this plan, were created and maintained. It was noted however that this data migration testing phase was not fully formalised to explicitly capture key testing activities including clearly defined exit criteria.</p>	<p>The live data migration phase was completed without issues arising. Future data migration phases may not be as successful without a more formalised migration testing structure in place. Formalising the data migration test phase to explicitly capture key testing activities helps to ensure that the full testing process is followed in its entirety prior to the live migration phase.</p>	<p>All future data migration phases will include formalised testing activities with clearly defined exit criteria.</p>
5. Key Man Dependency during IDT Implementation		
<p>It was evident, through our analysis of the IDT project, that there was significant reliance on a database administrator throughout the IDT project lifecycle. Remediation of this issue has been progressed, as SEMO have increased the responsibilities of a secondary database administrator now in place.</p> <p>For future system implementations, SEMO management should pay particular focus to resource management so that the project is appropriately resourced and adequate backup for key individuals is in place.</p>	<p>In the event of this key man becoming unavailable to SEMO, SEMO will lose critical knowledge and skills that could impact on large project implementations and on-going system maintenance.</p>	<p>SEMO had two DBAs working on the IDT project with various responsibilities due to the size and complexity but an overlap on key tasks was always part of the plan. SEMO also had key vendor support in this area and on-site support during the build up to go-live and including cutover to IDT.</p> <p>SEMO is currently recruiting a third DBA to help with the support and project workload.</p>

4 OTHER MATTERS ARISING (CONT'D.)

Issue	Effect	SEMO Response
6. Error in Make Whole Payment		
<p>Our testing of initial energy settlement for week 30 identified two units that were incorrectly paid a Make Whole Payment (“MWP”). Upon further investigation it was identified this was due to a manual operational error whereby a batch that forms part of the settlement process was not run in sequence and hence the calculation of MWP was based on ex-post indicative data.</p> <p>The corresponding operational checklist was examined and it was noted that the batch had been recorded as having completed successfully. SEMO operational controls including the review of operational checklists did not detect this error.</p>	<p>A MWP was incorrectly paid out to two participants, although the amount was under €4,000.</p>	<p>Agreed.</p> <p>SEMO are investigating changes to both systems and processes to improve operational controls in relation to this.</p>
7. Failure to invoice Payment Period Currency Cost for Week 46		
<p>Due to delays in invoicing of week 46 energy invoices the associated Payment Period Currency Cost (PPCC) value (which would have been invoiced in week 47) could not be calculated prior to invoicing of week 47. Due to operator error this did not occur and hence the PPCC for week 46 has not been invoiced.</p>	<p>PPCC has not been recovered from participants for this period, the total value of PPCC for this week was €14k.</p>	<p>Agreed.</p> <p>This was invoiced in the invoice run for week 6 2013. SEMO have implemented a log that will include the billing calendar detailing when currency costs are to be applied.</p>
8. Limited Communications Forms and Authorised Users		
<p>Several issues were highlighted in relation to Limited Communications and authorised participant users:</p> <ul style="list-style-type: none"> • LCF forms on the SEMO website were out of date for a limited period of time subsequent to the IDT implementation. This resulted in a delayed submission for a participant requesting LCF communication and resulted in a delayed gate closure. • On two separate occasions, LCF communication and digital certificate cancelation requests were received from users of participants who were not on the participants authorised users list. The requests were actioned by SEMO without confirming the validity of the users against the authorised users lists. In both cases an initial submission had been received from an authorised user, with subsequent submissions being received from users not on the authorised list. 	<p>This resulted in a minor non-compliance with the Code.</p>	<p>The forms were updated as soon as SEMO made aware of the issue however it did result in the gate closure being delayed.</p> <p>Updated procedures and training have been put in place to ensure all requests are validated against the approved authorised users list.</p>

4 OTHER MATTERS ARISING (CONT'D.)

Issue	Effect	SEMO Response
9. General Systems Failure Procedures		
<p>Agreed Procedure 7 details the steps that need to be followed when a Limited General Systems Failure occurs. Through enquiry of operational and IT staff, and observation of the procedures followed during an General Systems failure in 2011, we understand that it is not feasible to follow all of the steps outlined in the procedure.</p>	<p>This represents non-compliance with the Code.</p>	<p>Agreed. Agreed Procedure 7 has been reviewed and a formal request for modification is due to be submitted to the Modifications Committee in April 2013.</p>
10. Registered Bank Charge		
<p>When a participant is being registered in the Market, and requests SEMO to open a SEM Collateral Reserve Account on its behalf there is a requirement to “register a charge over the “SEM Collateral Reserve Account”. This is the responsibility of the Participant to do so, or if not done by them, it is SEMO’s responsibility. This procedure was not performed for a number of Participants.</p>	<p>This represents non-compliance with the Code.</p>	<p>SEMO have drafted a modification to the Code to remove the requirement to register a charge over collateral accounts. This was raised at the February 2013 Modifications Committee meeting. This modification has been deferred pending legal advice.</p>
11. Party Registration		
<p>There is a requirement for the Market Operator to issue the signed Accession Deed to the Participant two working days after receiving it from the Market Participant. During our testing it was noted that the signed Accession Deed was not returned to the Market Participant within the two day working timeline.</p>	<p>This represents non-compliance with the Code.</p>	<p>Agreed. This timeframe is not realistic and a modification is being drafted for the April 2013 Modifications Committee meeting to amend the timings.</p>

4 OTHER MATTERS ARISING (CONT'D.)

Issue	Effect	SEMO Response
12. Correction of historic errors in Currency Cost		
<p>As reported in 2011, a defect was introduced to the calculation of currency costs in late 2010 which caused the smearing of currency costs to incorrectly apply the cost with an opposite sign to generator and supplier units – e.g. if the currency cost is a net charge to the market generator units are charged but supplier units paid. This issue was identified by SEMO in October 2011 and reported to the market through the Market Operator Monthly Report and Market Operator User Group.</p> <p>The defect was corrected in the settlement systems in January 2012 and does not affect dates where settlement was calculated after that point. However correction of the historic errors has not yet been completed, We note SEMO have updated participants on a regular basis on the status of work to calculate the required corrections.</p>	<p>Currency costs were incorrectly calculated between October 2010 and January 2012. At a net level SEMO neither paid nor charged currency costs during this period, however during this period there has been an estimated net incorrect allocation of €1m which is yet to be corrected.</p>	<p>Historic correction of the error is outstanding and is due to be completed by the end of Q2 2013.</p>
13. Remediation of IT Security Gaps		
<p>A detailed gap analysis of IT Security policies to key systems was performed in 2012. A number of gaps or issues were identified for remediation. The remediation of these gaps is on-going and not yet fully completed.</p>	<p>There is an increased risk of unauthorised access to the market systems.</p>	<p>The remediation process will be completed in Q1 of 2013. A report outlining how the remediation of gaps was completed and the identification of exceptions will be presented to management and issued to the EirGrid Group Security Forum by the end of March 2013.</p>

4 OTHER MATTERS ARISING (CONT'D.)

Issue	Effect	SEMO Response
14. Interpretation of Dispatch Instructions		
<p>Various rules for the interpretation of dispatch instructions are included in Appendix O to the Code, including rules for the interpretation of the situation when multiple dispatch instructions have the same instruction effective and issue time. We note the following in respect to these rules:</p> <ul style="list-style-type: none"> • Certain rules applied by the SEMO instruction profiler for the combination of WIND and MWOF instructions do not appear in the Code (although they are similar to the rules contained in table O.2 in relation to other instructions). • Aspects of the Code are ambiguous and subject to interpretation, in particular whether instructions in paragraphs O.11 – O.13 are applied in the order written or collectively (applying paragraph O.11 before O.13 would in effect cause paragraph O.13 / table O.2 to be redundant as it would not be possible to have two instructions for the same instruction effective time). 	<p>Applying the Code as currently drafted, in combination with the form of instructions used by both TSOs, would in effect cause all WIND curtailment and constraint instructions to be ignored.</p> <p>While the actual calculation performed by SEMO appears to conform to the intent of the market, it represents non-compliance with the Code.</p>	<p>SEMO agree that as written O.11 and O.13 are ambiguous.</p> <p>SEMO agree that this should be clarified and will draft a modification to the Code which will align the Code with the intent of the market.</p>

5 FOLLOW UP ON PRIOR PERIOD ISSUES

Prior Period Issue	Update	2012 Classification	Previous Classification(s)
1. Calculation of Currency Cost	The defect causing this issue was resolved in January 2012. Historic correction of the error is outstanding and is due to be completed by before the end of Q2 2013.	Other See issue 12 above	Significant
2. Oracle Database Corruption	Since the database file system was upgraded in 2011, and the underlying operating system to Unix as part of the IDT deployment, no further corruption issues have occurred. Agreed Procedure 7 has been reviewed and a formal request for modification is due to be submitted to the Modifications Committee in April 2013.	Other See issue 9 above	Significant
3. Allocation of Currency Cost to Interconnector Units	The associated defect was corrected in the IDT deployment in July 2012. No correction of the historic error (estimated at €12k) is intended to be performed by SEMO due to the materiality of the issue.	Closed	Other
4. Other Variances in Calculation of Currency Cost	Following further investigation and clarification, it was concluded that any differences arising in the calculation were trivial.	Closed	Other
5. Variance in Calculation of Dispatch Quantity	This was a defect in the calculation that has subsequently been resolved.	Closed	Other

5 FOLLOW UP ON PRIOR PERIOD ISSUES (CONT'D.)

Prior Period Issue	Update	2012 Classification	Previous Classification(s)
6. IT Security Policy (First reported in 2008)	<p>SEMO have adopted a number of additional group policies that provide adequate policy governance of their systems. They have completed a full gap analysis of the Market Systems to the security policies. Remediation of the identified gaps, none of which is considered significant, is currently in progress.</p> <p>The remediation process is expected to be completed in Q1 of 2013. A remediation report, outlining the gaps that have been remediated and those that cannot be remediated, is due to be signed off by management and issued on 1 March 2013.</p>	<p>Closed</p> <p>See related issue 13 above</p>	<p>2008: Other</p> <p>2009: Other</p> <p>2010: Other</p> <p>2011: Other</p>
7. Limited Communication Failure (First reported in 2009)	A modification to the Agreed Procedure has been completed and an automated fax system has been implemented.	Closed	<p>2009: Other</p> <p>2010: Other</p> <p>2011: Other</p>
8. Publication of Information (First reported in 2009)	Modification (MOD_04_12) approved in February 2012 increased the period of time for the publication of information on the SEMO website. The increased period of time for the publication of information on the SEMO website now allows the processes and system activities required to produce the publications and transfer them to the website to within the timelines set out in the Code.	Closed	<p>2009: Other</p> <p>2010: Other</p> <p>2011: Other</p>
9. Security Cover	The operational processes have been updated to include email communication directly with the Participants in relation to their letter of credit submission within the 2 WDs as specified within the Code.	Closed	Other

5 FOLLOW UP ON PRIOR PERIOD ISSUES (CONT'D.)

Prior Period Issue	Update	2012 Classification	Previous Classification(s)
10. Testing of System Releases	Test coverage has been extended to include testing of the identified areas. This includes additional test scripts relating to currency cost calculation, The first execution of these scripts was completed as part of the IDT project.	Closed	Other
11. Derivation of Fixed Market Operator Charge (First reported in 2008)	This issue was closed prior the issue of the 2011 Market Audit Report.	Closed	2008: Other 2009: Other 2010: Other 2011: Other