RETAIL ENERGY CODE

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01	Proposal Plan
02	Consultation
03	Final Recommendation

CHANGE REPORT

I0343 – MSC - AMENDING STATEMENT PRODUCTION TIMESCALES

DOCUMENT VERSION	V2.0
PROPOSED IMPLEMENTATION DATE	06 November 2026
IMPLEMENTATION APPROACH	Big Bang

RESPONSIBLE COMMITTEE	Change Panel	CHANGE PATH	Self-Governance
PRIORITISATION CATEGORY	Urgent	URGENCY	N/A
IMPACTED STAKEHOLDERS	Energy Suppliers		

LEAD ANALYST (SOLUTION LEAD)	ASSURANCE LEAD	SUBJECT MATTER EXPERT
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OVERVIEW

RECCo is implementing the Market Stabilisation Charge (MSC) solution in two phases to enable a swift restart of the MSC scheme, should a decision be made to recommence it. Phase one will enable data collection and the tracking of Supplier liabilities, allowing the scheme to commence before the full solution is available. Phase two will introduce the calculation and financial components.

CODE MANAGER RECOMMENDATION

The Code Manager recommends that the REC Change Panel:

- **APPROVE** the Proposal Plan, including the Responsible Sub-Committee, Change Path, Priority Status, Urgency and timetable; and
- **APPROVE** that this Change Report contains sufficient information to proceed to Consultation, noting the Code Manager Minded-to Position below.

The Code Manager Minded-to Position is to recommend that the Change Panel:

- **APPROVE** the proposed change solution;
- **APPROVE** the proposed implementation approach; and
- **APPROVE** the proposed implementation date of 06 November 2026.

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BACKGROUND

1 SUMMARY

In April 2026, Ofgem issued their consultation on re-introducing the Market Stabilisation Charge (MSC) licence condition. During the previous gas crisis, Ofgem implemented the MSC, a mechanism where a Supplier gaining a customer in a sharply falling wholesale market made a payment to the Supplier losing that customer, to partially mitigate the loss on the energy that losing Supplier would have bought. The MSC ensured that Suppliers continued to have an incentive to hedge responsibly, even at high prices, and reduced the risk of socialised costs across all Consumers. However, it did mean that fixed tariffs on offer during that period were priced slightly higher than they otherwise would have been. This temporary licence condition lapsed in 2024, however the relevant governance arrangements were retained under the REC within Schedule 22 – Market Stabilisation Charge.

Wholesale gas and electricity prices have increased significantly since the end of February 2026 due to the conflict in the Middle East. Ofgem considered it prudent to have the option of reinstating the MSC at pace if required. However, due to statutory requirements, a licence modification takes time, so the April-May 2026 consultation focused on provisions which would allow us to introduce an MSC were we to consider it necessary. Following the consultation, Ofgem has decided to reintroduce the MSC licence condition. This provides the option of implementing an MSC at pace if required at a later point.

RECCo will be implementing the MSC solution in two phases to enable a swift reinstatement of the MSC scheme, should a decision be made to recommence it. I0343 has been raised as part of Phase 1 and is a necessary change to enable data collection and the tracking of Supplier liabilities, allowing the scheme to commence before the full solution is available. Phase 2 will introduce the calculation and financial components.

The REC currently requires statements relating to MSC to be provided to Energy Suppliers within 15 working days of the relevant MSC cycle. During the phased implementation, this timeframe may not provide sufficient time to reconcile the data collected while the calculation functionality is still under development. Greater flexibility is therefore required to extend the statement issuance period during this interim phase, ensuring that data can be appropriately reconciled before MSC charges are calculated and communicated.

2 PROBLEM STATEMENT

The REC currently requires statements relating to MSC to be provided to Energy Suppliers within 15 working days of the relevant MSC cycle. However, during the phased implementation of the MSC scheme, this timeframe may not provide sufficient time to reconcile the data collection while the calculation functionality is still under development.

3 IMPACTS

RECCO / REC CODE MANAGER	REC PARTIES AND SERVICE USERS	REC DOCUMENTS / PRODUCTS
RECCo	Energy Suppliers	Schedule 22 – Market Stabilisation Charge

MHHS
There are no impacts to MHHS identified.

4 CROSS-CODE IMPACTS

The Code Manager has not identified any cross-code impacts at this stage.

5 PROPOSAL PLAN

Milestone	Activity	From	To
Definition		**14 Aug-26**	**15 Sep-26**
	Solution Development	August	August
	Legal Review	August	August
Change Proposal		**16 Sep-26**	**19 Oct-26**
	Consultation	September	October
	Final Determination	October	October
Voting		**20 Oct-26**	**20 Oct-26**
	Appeal Window	21 October	04 November

I0343 was initially issued for an ex-Committee decision on 24 August 2026, with a decision needed by 28 August 2026. This would have enabled the consultation to be issued by 01 September, with a final vote needed by 22 September for I0343 to be included in the 01 October 2026 release. However, due to delays in reaching quoracy, 01 October was no longer feasible. The Code Manager engaged with the proposer, RECCo, who agreed to amend the timetable for I0343 and aim for the standard 06 November 2026 release.

In the meantime, a derogation request has been raised to enable RECCo to start data collection activities in 01 October and avoid further delays to the project's overall timescales in delivering the MSC scheme.

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6 PRIORITISATION CATEGORY AND URGENCY

6.1 PROPOSER REVIEW

The Proposer of this Issue has provided a review stating this Issue:

- Does not meet the criteria for Urgency;
- Aligns to the Stragetic Direction Statement because the Issue was requested by Ofgem to support swift response to an unstable energy market should the need arise;
- Has strong importance because current energy market stability is a concern for Ofgem, and the inability to rapidly activate the MSC scheme should it be required could limit the ability to respond effectively to market instability; and
- Has a low complexity because it is not expected that this would be a complex code change, as the mechanism has previously been in place.

Their review can found in the initial submission form here.

6.2 CODE MANAGER REVIEW

The Code Manager is proposing this Issue be given an Urgency Status of Urgent.

The Code Manager believes this Issue:

- Does meet the Ofgem criteria for Urgency because it is linked to an imminent issue that if not urgently addressed may cause delays to Ofgem and RECCo's ability to begin phase 1 of the MSC scheme by 01 October;
- Has a strong alignment to the Strategic Direction Statement as it strongly supports SDS Objective 2.1: Improve protection for all consumers, particularly those in vulnerable situations, by enabling the re-introducing of the MSC mechanism which would benefit Consumers (particularly Vulnerable Consumers) in times of high and volatile energy prices;
- Has high importance as it delivers noticeably greater Consumer and market benefit than most other Standard changes; and
- Has a low complexity as it only seeks to amend RECCo's SLAs around providing MSC statements to Energy Suppliers from 15 working days to 40 working days.

As this Change Proposal has an Urgent Status, it is not given a Prioritisation Category (as specified in REC Schedule 5 – Change Management, section 9.5A).

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SOLUTION

7 PROPOSED SOLUTION

The REC currently requires statements relating to MSC charges to be provided to Energy Suppliers within 15 working days of the relevant MSC cycle. During the phased implementation, this timeframe may not provide sufficient time to reconcile the data collected while the calculation functionality is still under development. Greater flexibility is therefore required to extend the statement issuance period during this interim phase, ensuring that data can be appropriately reconciled before MSC charges are calculated and communicated.

The proposed solution is thus to amend clause 5.1 in Schedule 22 – Market Stabilisation Charge to enable RECCo to send Suppliers their statement within 40 working days, as opposed to 15. Clause 5.1 will be amended as follows:

> 5.1 Subject to paragraph 5.1A, within 15 Working Days after the end of each MSC-4-Week Cycle, RECCo shall send each Energy Supplier a statement in respect of that MSC-4-Week Cycle ~~(or, as the case may be, in respect of the period from 14 April 2022 to the end of the first MSC-4-Week Cycle to follow the implementation of version 1.1 of this Schedule)~~ showing for each relevant MPID registered to that Energy Supplier:
>
> 5.1A On each occasion that the obligation of Energy Suppliers to pay Market Stabilisation Charges comes into effect in accordance with the Authority's direction under Condition 24A of the Gas Supply Licence or Condition 24A of the Electricity Supply Licence, the time period for the first statement thereafter under Paragraph 5.1 shall be extended to 40 Working Days;

8 DRAFT LEGAL TEXT

The legal text changes to deliver the proposed solution to I0343 can be found here.

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PRELIMINARY ASSESSMENT

9 SUMMARY OF IMPACT ASSESSMENT ACTIVITY

9.1 SERVICE PROVIDER IMPACT ASSESSMENTS

No Service Provider impact assessment was required as part of this Change Proposal.

9.2 REC PARTY IMPACT ASSESSMENTS

No Party impact assessment was conducted as part of this Change Proposal.

9.3 SUMMARY OF AMENDMENTS MADE FOLLOWING IMPACT ASSESSMENT

No amendments were made following impact assessment.

10 RISKS, ASSUMPTIONS, ISSUES AND DEPENDENCIES

There are no risks, issues, assumptions or dependencies associated with this Change Proposal.

11 BUSINESS CASE ASSESSMENT

11.1 COSTS

No central system costs nor Party costs have been identified as part of implementing this change.

11.2 BENEFITS

INTANGIBLE BENEFITS	BENEFITS DESCRIPTION
SUPPORTS THE DELIVERY OF THE MCS SCHEME	The implementation of this Change Proposal is necessary to support the implementation of the MSC scheme, should a decision be made to recommence it. The MSC is a mechanism where a Supplier gaining a customer in a sharply falling wholesale market makes a payment to the Supplier losing that customer, to partially mitigate the loss on the energy that losing Supplier would have bought. This would ensure that Suppliers continue to have an incentive to hedge responsibly, even at high prices, and reduces the risk of socialised costs across all Consumers. Since the end of February 2026, wholesale gas and electricity prices have significantly increased due to the conflict in the Middle East. The stability of the energy market continues to be a key concern for Ofgem, and the inability to swiftly implement the MSC scheme should it be required could limit the government's ability to respond effectively to market instability. I0343's implementation aims to

	enable RECCo to support this delivery and allow Ofgem and RECCo to initiate Phase 1 activities in October.
INDIRECTLY DELIVERS POSITIVE OUTCOMES FOR CONSUMERS AND THE EFFICIENCY OF THE ERTAIL ENERGY MARKET	The implementation of this Change Proposal would indirectly deliver positive outcomes for Consumers and the efficient operation of the retail energy market. The MSC, if activated, would mitigate some of the losses that Suppliers could experience from falling wholesale prices. By reducing risks to the financial stability of Suppliers, the MSC ultimately benefits the Consumer given that they can end up bearing some of the costs of supplier failure (through the Supplier of Last Resort (SoLR) levy). This benefit would only be truly realised should Ofgem decide to recommence the MSC scheme.

11.3 COST BENEFIT ANALYSIS

There are no central systems costs, no expected costs to Parties and two intangible benefits associated with this Change Proposal. As such, the Code Manager believes that there is a positive case for change.

12 CASE FOR CHANGE

SELF GOVERNANCE

The Code Manager considers there is a positive case for change for implementing this Change Proposal on the basis that the proposed solution:

- The proposed solution appropriately resolves the original Problem Statement;
- The cost and effort of implementing and operating the proposed solution is proportionate and cost-effective;
- The impact of the Change Proposal not being implemented may cause detriment to Market Participants and Consumers; and
- The proposed solution delivers positive outcomes for Consumers and efficiencies in the operation of the retail energy market.

13 APPENDIX

CHANGE PROPOSAL	Link
LEGAL DRAFTING	Link
ANY OTHER DOCUMENTS	Ofgem – Market Stabilisation Charge licence condition consultation Ofgem – Decision on Market Stabilisation Charge licence condition

14 GLOSSARY

TERM	DEFINITION
Market Stabilisation Charge	means, in respect of a Domestic Consumer who has Switched, the amount (in £, if any) payable by the Gaining Supplier in accordance with Condition 24A of the Gas Supply Licence or Condition 24A of the Electricity Supply Licence (or, if such an amount is payable under both the Gas Supply Licence and the Electricity Supply Licence, the aggregate of such amounts). In the case of gas and/or electricity (as applicable) such amount is calculated as the product of: the Gas Market Stabilisation Charge Value and the Domestic Consumer's Annual Quantity; or the Electricity Market Stabilisation Charge Value and the Domestic Consumer's Estimated Annual Consumption.
Vulnerable	means a Domestic Consumer who, due to their Personal Characteristics or Circumstance, or otherwise being in a vulnerable situation, may require Priority Services or additional support. In which context, Personal Characteristics or Circumstance include: (a) the Domestic Consumer being of Pensionable Age; or (b) the Domestic Consumer being chronically sick, or having an impairment, disability, long term medical condition (including a visual, auditory, literacy or mobility impairment), or severe financial insecurity (such that they are unable to safeguard their personal welfare or the personal welfare or other members of the household). "Vulnerable Consumer", "Vulnerability", "Vulnerable Situation" and other cognate expressions shall be construed accordingly.