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Reference	RECPAB_26_2909_07_ - PAB DEROGATION REPORT – MARKET STABILISATION CHARGE (MSC) STATEMENT PRODUCTION TIMESCALES EXTENDED
Status	For decision
Pages	4

PAB DEROGATION REPORT – MARKET STABILISATION CHARGE (MSC) STATEMENT PRODUCTION TIMESCALES EXTENDED

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Reviewed by: KAT HIGBY, ASSURANCE INTEGRATION LEAD, RECCo

For decision	This paper sets out a report to the PAB on a Derogation Application received on 7 September 2026 from RECCo. The Derogation relates to Issue I0343, which was raised by RECCo to temporarily extend the REC Schedule 22 statement production timescale from 15 to 40 Working Days, supporting the phased reintroduction of the Market Stabilisation Charge (MSC) scheme whilst calculation functionality is still being developed. Delays in the Change Panel approval process mean the Change is unlikely to be implemented by the release scheduled for 1 October 2026. A Derogation is therefore required to provide sufficient time for data reconciliation as MSC liability collection begins. The Code Manager recommends that the REC Performance Assurance Board (PAB): **Approves** the aspects of the Derogation as set out below, including the timescales and recommended conditions.
Appendices	RECPAB_26_2909_07_A_ - Market Stabilisation Charge Current RECPAB_26_2909_07_B_ – I0343 MSC - Amending Statement Production Timescales (hyperlinked)

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1.1 Background

On 7 September 2026, RECCo raised a Derogation for the Market Stabilisation Charge (MSC) Statement Production Timescales to be extended from 15 to 40 Working Days.

On 14 August 2026, RECCo raised REC Issue I0343 MSC (Amending Statement Production Timescales) to amend REC Schedule 22 - Market Stabilisation Charge Clause 5.1 to extend the current 15 Working Day statement production timescale for MSC statements to 40 Working Days. The Change is required to support the phased implementation of the MSC solution, with data collection and liability tracking commencing from 1 October 2026 ahead of the development of the full calculation and financial functionality.

As a result of to delays (due to being stalled when reaching quoracy) in the Change Panel approval process, I0343 is unlikely to be implemented in time for the 1 October extraordinary release. As RECCo still intends to begin collecting MSC liabilities from that date, a Derogation is required to provide additional time for data reconciliation while the calculation functionality remains under development. The derogation would therefore apply until 40 Working Days following the conclusion of the first MSC Cycle, currently estimated to be 29 December 2026.

Impacted parties are RECCo and Energy Suppliers. The impact is overall positive, as the extended statement production timescale gives RECCo sufficient time to reconcile MSC data accurately during the phased implementation, although Energy Suppliers will receive MSC statements later than the current 15 Working Day requirement.

1.2 Derogation Summary

	DEROGATION DETAILS
Summary of the issue	RECCo plans to begin collecting and tracking MSC liabilities from 1 October 2026, however, the systems (currently under implementation in two phases) will not be fully available until later in order to calculate and issue MSC charges. The REC currently requires MSC statements to be issued within 15 Working Days, which does not provide enough time to reconcile the data during this interim period. Although a permanent REC Change (I0343) has been raised to extend this timeframe to 40 Working Days, delays in the approval process mean this is unlikely to be in place by 1 October. As a result, RECCo is seeking a temporary Derogation to allow additional time for data reconciliation and ensure accurate MSC statements can be produced while the full solution is being implemented.
Summary of the proposed Derogation and impacted REC obligations	Extend the obligations under Schedule 22, clause 5.1 to extend the 15 Working Day SLA to 40 Working Days, as per the attached legal drafting that will be implemented under I0343, until I0343 can come into effect.
Related Derogations or applications	Issue I0343 - MSC - Amending Statement Production Timescales

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Impacted REC Parties and Service Providers	RECCo and Energy Suppliers are the impacted REC Parties and Service Providers. The impact is primarily positive. RECCo will benefit from additional time to reconcile MSC data accurately while the full solution is being developed, and although Energy Suppliers will receive MSC statements later (within 40 rather than 15 Working Days), this helps ensure the information provided is accurate and reliable during this implementation stage.
Legal advice obtained in relation to the application	N/A
Technical advice obtained in relation to the application	A full technical Impact Assessment from a REC Service Provider is not considered required for this Derogation. RTS has reviewed the application and confirms this Derogation is a timescale (deadline) extension only and does not require any changes to REC systems, interfaces, or the Enquiry Service. The technical complexity of this Derogation is assessed as Low, as no technical build, configuration change, or workaround is required to implement the extended 40 Working Day statement production timescale.
Length of the Derogation	40 Working Days following the conclusion of the first MSC Cycle, currently estimated to be 29 December 2026.
Conditions to any Derogation	Should the Derogation be approved, the temporary arrangements and revised statement production timescales will need to be communicated clearly to affected Energy Suppliers and stakeholders, pending the implementation of the enduring solution through REC Issue I0343.
Ofgem consent	Ofgem does not need to give permission or be informed.

1.3 Impact and Risk Rating

This risk assessment is assigned by scoring the likelihood and impact of risks across five key areas: consumer, market, cross-code, operational and compliance impacts. The combined score, together with Code Manager judgement and consideration of mitigations, determines an overall Green, Amber or Red rating, which informs the approval decision, conditions and monitoring requirements.

Impacted parties are Only RECCo and Energy Suppliers.

- The extended statement production timescale gives RECCo sufficient time to reconcile MSC data **ACCURATELY** during the phased implementation,
- Energy Suppliers will receive MSC statements later than the current 15 Working Day requirement.

With these impacts and risks taken into account the Code Manager gives this derogation a Risk Rating (4)

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	SEVERITY				
Impact/Probability	1 - Very Unlikely	2 - Unlikely	3 - Possible	4 - Likely	5 - Very Likely
1 - Negligible	1 - Low	2 - Low	3 - Low	4 - Low	5 - Low
2 - Minor	2 - Low	4 - Low	6 - Moderate	8 - Moderate	10 - Moderate
3 - Moderate	3 - Low	6 - Moderate	9 - Moderate	12 - Moderate	15 - High
4 - Significant	4 - Low	8 - Moderate	12 - Moderate	16 - High	20 - Critical
5 - Severe	5 - Low	10 - Moderate	15 - High	20 - Critical	25 - Critical

1.4 Recommendation

Based on the information provided by the applicant and the assessment undertaken by the Code Manager, the following recommendation is made for the PAB's consideration.

To support the phased reintroduction of the MSC scheme and enable RECCo to commence data collection and supplier liability tracking from 1 October 2026, the Code Manager recommends that the Derogation request be APPROVED until 40 Working Days following the conclusion of the first MSC Cycle (estimated to be 29 December 2026). The Derogation will temporarily extend the Schedule 22 statement production timescale from 15 Working Days to 40 Working Days, providing sufficient time for data reconciliation whilst the calculation and financial functionality of the MSC solution remains under development.

The Code Manager considers that approving the Derogation will have minimal negative impact on Energy Suppliers and other stakeholders. Whilst Energy Suppliers will receive MSC statements later than currently required under the REC, the extended timescale will help ensure the accuracy and reliability of MSC data and charges during the interim implementation period.

Should the Derogation be approved, the temporary arrangements and revised statement production timescales will need to be communicated clearly to affected Energy Suppliers and stakeholders, pending the implementation of the enduring solution through REC Issue I0343.

REC PAB Decision

The Code Manager recommends REC PAB to…

- **APPROVE** the aspects of the Derogation as set out above, including the timescales and recommended conditions.

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