

Consultation

Market Stabilisation Charge licence condition

Publication date:	17 April 2026
Response deadline:	15 May 2026
Contact:	Daniel Newport
Team:	Price Protection
Telephone:	020 7901 7000
Email:	priceprotectionpolicy@ofgem.gov.uk

In a period of high and volatile prices, a sharp fall in wholesale prices can pose a risk to market stability. Suppliers can incur losses on energy which they have already bought to supply default tariff customers.

During the previous gas crisis we implemented a Market Stabilisation Charge (MSC) as a mitigation. This was a payment from a supplier who gained a customer to a supplier who lost a customer, to partially mitigate losses on energy purchases. We are now consulting on reintroducing the MSC licence condition, to provide the *option* of implementing an MSC at pace *if required* at a later point.

This consultation is not a process for considering whether or not to activate the MSC. If we were minded to activate the MSC at a later point in time, this would be the subject of a future consultation and decision.

Consultation Market Stabilisation Charge licence condition

© Crown copyright 2026

The text of this document may be reproduced (excluding logos) under and in accordance with the terms of the Open Government Licence.

Without prejudice to the generality of the terms of the Open Government Licence, the material that is reproduced must be acknowledged as Crown copyright and the document title of this document must be specified in that acknowledgement.

This publication is available at www.ofgem.gov.uk. Any enquiries regarding the use and re-use of this information resource should be sent to psi@nationalarchives.gsi.gov.uk.

Consultation Market Stabilisation Charge licence condition

Contents

Executive summary	4
1. Introduction	6
Purpose of this consultation	6
Context and related publications	6
Overview	7
Consultation stages	7
How to respond	7
Your response, data, and confidentiality.....	7
How to track the progress of a consultation	8
2. Rationale for an MSC	9
What challenge does an MSC respond to?	9
How could an MSC help to address the challenge?	10
Consumer impact	11
3. Licence drafting and process	13
Licence drafting	13
Process	14
Send us your feedback	16
Appendix 1. Outline impact assessment	17
Direct impacts of reinstating the MSC licence condition	17
Potential impacts of activating the MSC	18
Appendix 2. Privacy policy	21
Personal data	21

Consultation Market Stabilisation Charge licence condition

Executive summary

Wholesale gas and electricity prices have increased significantly since the end of February 2026 due to the conflict in the Middle East. Our first priorities during any period of price volatility are to protect consumers including by taking any necessary steps to support market stability. We are closely monitoring the events and their impact on the market, but the future trajectory of wholesale prices is still highly uncertain. In that context it is important that we draw from our experience of the last energy crisis and ensure we are prepared for a range of scenarios.

The default tariff cap (the ‘Cap’) acts as an important protection for consumers – ensuring prices are fair and based on underlying costs. While it needs to reflect the international wholesale prices that suppliers face in buying energy for consumers, it does offer some stability during times of volatility.

In ensuring suppliers are resilient and able to supply consumers reliably, it is also important that they are well hedged. This means that suppliers have purchased, ahead of time, the energy that their customers are likely to use. If a customer is on the Cap, then this means buying energy for the quarter ahead.

Failure to do so would mean that, if prices were to rise, then the supplier would be forced to sell energy to customers at less than the cost at which they buy it. This would lead to significant losses, which could in turn lead to supplier failure, the costs of which fall on all consumers through the Supplier of Last Resort process. It is therefore in consumers’ interests that suppliers are responsibly hedged.

Consumers however, are free to leave the Cap at any time. This means that if prices suddenly fall, they will have an incentive to leave the Cap and move to fixed tariffs priced below the Cap. This is generally a good thing for consumers, but can create unmanageable risks for suppliers in times of significant volatility, because if default tariff customers switch to another supplier, suppliers who had already bought energy for these customers would have to sell this back at a loss.

If such an effect is too great then it could result in serious market stability concerns. As described above, a resilient supply market is in the interests of consumers. We would therefore want to mitigate risks to resilience in a falling wholesale market.

In other markets, firms would have more options to manage risks in volatile conditions. A firm could choose to, for example: withdraw from accepting new customers, adjust its pricing, or set exit fees. Gas and electricity supply are essential services and so the regulatory framework places limitations on the options available to suppliers. While these requirements help to protect consumers, they may leave suppliers with fewer options to manage their risks in certain market conditions. It may therefore be necessary to put in place other interventions to help manage risks to market stability.

Consultation Market Stabilisation Charge licence condition

During the previous gas crisis we implemented a Market Stabilisation Charge (MSC). This was 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. We allowed this temporary licence condition to lapse in 2024. Such a mechanism 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.

It is too early to know if such a mechanism would be appropriate today. However, in light of current market circumstances, we consider that it would be prudent to have the option of reinstating the MSC at pace if required. Due to statutory requirements, a licence modification takes time, so we are consulting now on provisions which would allow us to introduce an MSC were we to consider it necessary. This document is therefore a statutory consultation.

We recognise that activating an MSC would be a significant intervention and will attract a range of stakeholder views. To be clear, this consultation is not a process for deciding whether or not to activate the MSC. Were we minded to activate, we would consult separately on the case for doing so and the guidance and parameters to be applied. Such a consultation would not be subject to the same statutory timing requirements or standstill period – but we would endeavour to ensure suitable time for stakeholder input and consideration, while maintaining responsiveness to market circumstances.

We recognise that an MSC is one potential way of managing the impact of sharply falling prices. We will continue to consider whether there are other options which we should examine. This consultation does not preclude consideration of additional or alternative options to support market stability. However, given that the MSC is a proven intervention, we consider that consulting on reinstating the MSC licence condition is a sensible first step to provide optionality at pace.

Consultation Market Stabilisation Charge licence condition

1. Introduction

We briefly introduce this consultation and provide information about how to respond.

Purpose of this consultation

- 1.1 This is a statutory consultation on reinstating the Market Stabilisation Charge (MSC) licence condition, in response to current wholesale market conditions. The MSC is a measure to help manage the risks to market stability from sharply falling wholesale prices. It involves a payment from a supplier who gains a customer to a supplier who loses that customer, to partially mitigate losses on wholesale energy that the losing supplier had already bought.
- 1.2 This consultation does not propose that the MSC would take effect automatically. Rather, we want to give ourselves the option to use the MSC as a tool if required. This would mean activating the licence condition as required.

Context and related publications

- 1.3 We previously implemented an MSC in 2022. This was a temporary licence condition. We implemented this as part of a package alongside the Ban on Acquisition-only Tariffs (BAT), which remains in place. These measures were intended to address the risk of sharply falling prices, in a context of exceptional price volatility.
- 1.4 We extended the MSC in 2023, and then allowed the licence condition to lapse in March 2024.
- 1.5 Key publications:
 - [Decision on short-term interventions to address risks to consumers from market volatility](#) (2022)
 - [Decision to extend the MSC and the BAT beyond 31 March 2023](#) (2023)
 - [Decision on technical changes to the Market Stabilisation Charge \(MSC\) to extend its operation beyond 31 March 2023](#) (2023)
 - [Future of Market Stabilisation Charge after March 2024](#) (2023)
 - [MSC guidance version 4](#) (2023)

Consultation Market Stabilisation Charge licence condition

Overview

- 1.6 Chapter 2 provides the rationale for reintroducing an MSC licence condition. We explain the challenge that an MSC seeks to address, and how an MSC would address this. We also set out how an MSC could be in the interests of consumers.
- 1.7 Chapter 3 sets out our proposed licence modifications. We also discuss our intended process for implementing an MSC. This covers the MSC guidance and parameters, as well as the process for considering whether to activate the MSC.

Consultation stages

Stage 1 Consultation open: 17 April 2026

Stage 2 Consultation closes (awaiting decision). Deadline for responses: 15 May 2026

Stage 3 Responses reviewed and published: May or June 2026

Stage 4 Consultation outcome (decision): May or June 2026

How to respond

We want to hear from anyone interested in this consultation. Please send your response to the person or team named on the front page of this document.

We have asked for your feedback in each of the questions throughout. Please respond to each one as fully as you can.

We will publish non-confidential responses on our website.

Your response, data, and confidentiality

You can ask us to keep your response, or parts of your response, confidential. We will respect this, subject to obligations to disclose information. For example, under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory directions, court orders, government regulations, or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.

If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you do wish to be kept confidential and those that you do not wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we will contact you to discuss which parts of the information in your response should be kept confidential and which can be published. We might ask for reasons why.

Consultation Market Stabilisation Charge licence condition

If the information you give in your response contains personal data under the General Data Protection Regulation (Regulation (EU) 2016/679) as retained in domestic law following the United Kingdom's withdrawal from the European Union ("UK GDPR"), the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. Please refer to our Privacy Notice on consultations, see Appendix 2.

If you wish to respond confidentially, we will keep your response confidential, but we will publish the number, but not the names, of confidential responses we receive. We will not link responses to respondents if we publish a summary of responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.

How to track the progress of a consultation

1. Find the web page for the call for input you would like to receive updates on.
2. Click 'Get emails about this page', enter your email address and click 'Submit'.
3. You will receive an email to notify you when it has changed status.

A consultation has three stages: 'Open', 'Closed (awaiting decision)', and 'Closed (with decision)'.

Consultation Market Stabilisation Charge licence condition

2. Rationale for an MSC

We provide the rationale for reintroducing an MSC licence condition. We explain the challenge that an MSC seeks to address, and how an MSC would address this. We also set out how an MSC could be in the interests of consumers.

What challenge does an MSC respond to?

- 2.1 Future changes in wholesale prices are uncertain given current market conditions. However, one potential scenario is a sharp fall in wholesale prices. While this would generally be positive for consumers, it could pose risks to market stability.
- 2.2 When wholesale prices rise steeply, this creates the potential for them to fall again. For example, this could occur if the original cause of the shock is resolved, or if additional supplies become available in response to high prices.
- 2.3 Fixed tariffs available in the market generally reflect prevailing wholesale market prices. If wholesale prices fall, fixed tariff prices would fall. If suppliers buy energy for their standard variable tariffs (SVTs) gradually over time (as under the default tariff cap (the 'Cap') indexation methodology), then SVT prices would reflect the higher wholesale prices at the point suppliers purchased the energy. A sharp fall in wholesale prices would therefore lead to a significant gap between fixed tariff and SVT prices.
- 2.4 Such a gap would be likely to encourage customers to switch to fixed tariffs. This would particularly apply to any engaged customers who had moved to SVTs during an earlier phase of the price shock (for example if there had been a period when the SVT was the cheapest tariff available in the market).
- 2.5 If a supplier's SVT customer base reduced unexpectedly, the supplier would need to sell back the energy that it had already purchased for the customers it had lost. The supplier would make a loss on these sales, given that wholesale prices had fallen.
- 2.6 Forecasting demand is a core competency for suppliers. However, this can be challenging when prices are extremely volatile. This creates a risk of suppliers making losses for reasons which could be seen as beyond their reasonable control.
- 2.7 We are not required to protect suppliers against losses. However, in exceptional circumstances, risks to market stability might mean that some action was desirable from the perspective of consumers. In this situation, there would be a

Consultation Market Stabilisation Charge licence condition

question about how best to manage the risks to market stability. This includes the question of which consumers should bear the costs of any mitigating action.

How could an MSC help to address the challenge?

- 2.8 We implemented an MSC in 2022, during the last period of high gas prices. The MSC is no longer in place, as we allowed the temporary licence condition to lapse.
- 2.9 An MSC involves a payment from a supplier who gains a customer to a supplier who loses a customer, in circumstances where wholesale prices fall significantly. This compensates the losing supplier for part (but not all) of the losses that they would have incurred on selling back energy that they had already purchased.
- 2.10 The MSC would therefore mitigate some of the losses that suppliers could experience. This would reduce risks to the financial stability of suppliers.
- 2.11 Given that an MSC increases the cost of gaining a customer, we would expect suppliers to factor MSC costs into their fixed tariff pricing. The MSC would therefore be expected to reduce the gap between fixed tariffs and SVTs. All else being equal, this would be expected to reduce the likelihood of consumers switching – and therefore the size of losses. An MSC is therefore in part a preventative measure.
- 2.12 By mitigating risks under falling wholesale prices, a MSC could also provide suppliers with more confidence to hedge. To the extent that suppliers hedge a greater proportion of their expected demand (than in the absence of an MSC), they would be less exposed to risks if wholesale prices increased further.
- 2.13 The current circumstances are not identical to the previous situation in which we implemented an MSC. First, at this point, the extent of the price shock is smaller than in 2022. Second, we have a quarterly Cap in place, compared to the previous six-monthly Cap. This reduces the value of hedges that suppliers have, and therefore the scale of potential losses. It also reduces the amount of time before the Cap level resets, meaning that there is less time for consumers to switch away and generate losses for suppliers. Third, we now have financial resilience requirements in place. Capital requirements should mean that suppliers are more resilient to any losses.
- 2.14 Nevertheless, the underlying dynamic (a risk of losses from sharp price falls) remains the same as when the MSC was originally introduced.
- 2.15 We recognise that an MSC is one potential way of managing the impact of sharply falling prices. We will continue to consider whether there are other options which we should examine. However, given that the MSC is a proven intervention, we

Consultation Market Stabilisation Charge licence condition

consider that consulting on reinstating the MSC licence condition is a sensible first step to provide optionality at pace.

Consumer impact

- 2.16 In line with our principal objective, we must protect the interests of existing and future consumers. We briefly outline below the potential consumer impacts of an MSC. This is part of our explanation of why we consider that an MSC could be a useful tool to have available – it is not intended to reach a definitive view on the case for activating an MSC.
- 2.17 By mitigating the extent of losses under falling wholesale prices, an MSC can mitigate risks to suppliers' financial stability. This can be in the interests of consumers given that they can end up bearing some of the costs of supplier failure (through the Supplier of Last Resort (SoLR) levy).
- 2.18 In the longer term, providing confidence to suppliers that we would take a reasonable approach to managing risks in extreme market circumstances could also contribute to making the supply market investable, in line with our [Markets Vision and Strategy](#). Investment and innovation can ultimately generate benefits for consumers, such as improved customer service.
- 2.19 Compared to alternative options to manage risks from falling wholesale prices, like an ex post adjustment through the Cap, an MSC has the advantage that it is paid by customers who switch supplier, rather than by the SVT customer base. This is more targeted and avoids distributional effects on consumers who do not engage.
- 2.20 We recognise that an MSC reduces the savings available for customers who switch supplier. This could be seen as delaying customers from accessing some of the benefits of a wholesale price reduction. However, the design of the MSC ensures that there would still be some gains from switching to a fixed tariff.
- 2.21 We also recognise that a falling wholesale price provides an opportunity for suppliers to gain customers. This is because suppliers would be able to offer fixed tariffs with significant savings. An MSC can be seen as restricting this potential stimulus to competition. However, in extreme wholesale market conditions, there is a question about whether consumers' interests would be best served by protecting market stability, rather than by encouraging changes in market shares which were based on temporary market circumstances. Switching in these circumstances would not represent a supplier outcompeting others because it had a better underlying product.

Consultation Market Stabilisation Charge licence condition

Questions

- Q1. Do you agree that an MSC could help to manage the impact of falling wholesale prices?
- Q2. Do you have any comments on the consumer impacts of an MSC?

Consultation Market Stabilisation Charge licence condition

3. Licence drafting and process

We set out our proposed licence modifications. We also discuss our intended process for implementing an MSC. This covers the MSC guidance and parameters, as well as the process for considering whether to activate the MSC.

Licence drafting

- 3.1 Although not currently active, the previous MSC licence condition (standard condition 24A of the [gas and electricity supply licences](#)) remains as part of the licence text. This means that we do not propose to draft a full licence condition, but rather amend the text of standard condition 24A. We also do not propose to change the structure of the MSC licence condition. This consultation therefore focuses on amending the existing text of the provision.
- 3.2 Our policy intent has two parts.
- 3.3 First, we want the flexibility to decide whether and when to activate the MSC. This is instead of the MSC taking effect automatically once the licence modification came into force. This flexibility is to allow us to consider wholesale market conditions nearer the time of taking the decision to activate the MSC. We consider that this is necessary in fast-moving circumstances.
- 3.4 On a practical level, flexibility over the implementation date would also allow us to ensure that the MSC was only activated once the relevant arrangements are in place under the Retail Energy Code (REC) to transfer money between suppliers.
- 3.5 Second, we want to provide future flexibility to reactivate the MSC without a further licence modification. This is to provide optionality to respond quickly to future wholesale market shocks.
- 3.6 This does not mean that we intend for the MSC to be part of normal market arrangements. Requiring suppliers to make payments to the losing supplier when they gain a customer is not a normal feature of markets, but can be justified exceptionally to manage risks to market stability. We therefore do not intend that the MSC would remain permanently active, but we want the flexibility to reactivate it at pace if necessary.
- 3.7 As part of the policy, we have considered including a date on which the proposed licence condition would lapse (a 'sunset clause'). As explained above, we previously included this for the MSC when we introduced it in 2022. We do not propose to include a sunset clause as part of the licence modification because the MSC would not remain permanently active if we decided to activate the MSC. As reflected in the proposed drafting below, the MSC could be reduced to zero

Consultation Market Stabilisation Charge licence condition

once it is activated. The condition could therefore not lapse, but the MSC would still be a tool to manage exceptional market circumstances, rather than an ongoing feature of the market

3.8 In light of this policy intent, our proposed drafting is as follows:

- New paragraph 24A.2A: “The provisions in this Condition 24A shall take effect on and from 00:00 on a date specified by the Authority by publishing a statement in Writing.
- Revised paragraph 24A.3: “Once SLC 24A has effect in accordance with paragraph 24A.2A, the Authority may, following consultation, publish a subsequent statement in Writing that the requirement in paragraph 24A.1 shall cease to have effect on and from a date specified by the Authority until such a date as may, following consultation, be specified by the Authority in a subsequent statement in Writing.”
- Revised paragraph 24A.4, with consequential changes: “The power in paragraph 24A.3 may be exercised by the Authority on more than one occasion”

3.9 We have published the statutory consultation notices alongside this consultation.

Process

MSC guidance and parameters

3.10 SLC 24A.2 provides for MSC guidance, which “following consultation, the Authority may issue and may from time-to-time revise”. We published [the latest version of the MSC guidance](#) on 20 March 2023.

3.11 We will therefore consult on the MSC guidance before any decision to activate the MSC, should we proceed with this licence modification.

3.12 As part of the MSC guidance, we specify the MSC parameters. These determine the scale of the price fall which triggers the MSC, and the proportion of hedging losses beyond this point which feed into the value of the MSC. In the interests of speed, our current expectation is that we would retain the same MSC parameters as previously. These parameters have already been subject to consultation. Should we intend to make changes to these parameters, we would consult on these through the guidance consultation.

3.13 This consultation therefore does not cover the MSC guidance or the MSC parameters. However, should stakeholders have views on either of these topics, we would welcome any early feedback.

Consultation Market Stabilisation Charge licence condition

Activating the MSC licence condition

- 3.14 Were we minded to activate the MSC, we would consult separately on the case for doing so. Such a consultation would not be subject to the same statutory timing requirements or standstill period – but we would endeavour to ensure suitable time for stakeholder input and consideration, while maintaining responsiveness to market circumstances
- 3.15 We intend to consider whether to activate the MSC licence condition based on our consideration of market circumstances. These may include (for example and non-exhaustively): the observed wholesale prices which have fed into the Cap calculations, the wholesale forward curve, our monitoring of suppliers' financial circumstances, and any other policy developments which might impact market stability in a falling market.
- 3.16 We recognise that some suppliers may want us to activate the MSC as soon as possible, to mitigate their risk of losses. We also recognise that market participants may want a degree of notice between a decision to activate the MSC and the mechanism taking effect, in order to allow them to prepare. In the circumstances, we do not propose including a specific period before which the MSC may be activated following the published statement by the Authority. However, we welcome any views on factors we should consider in relation to the timing for activating the MSC.

Retail Energy Code impacts

- 3.17 The MSC relies on the REC to deliver the process for payments between suppliers. In parallel with this consultation, we will engage with RECCo on the steps required to put the MSC in place.

Impact assessment

- 3.18 Appendix 1 provides an outline impact assessment.

Questions

- Q3. Do you agree with our proposed licence drafting?
- Q4. Do you have any comments on our intended process?

Consultation Market Stabilisation Charge licence condition

Send us your feedback

We believe that consultation is at the heart of good policy development. We are keen to receive your comments about this consultation. We would also like to get your answers to these questions:

- Do you have any comments about the quality of this document?
- Do you have any comments about its tone and content?
- Was it easy to read and understand? Or could it have been better written?
- Are its conclusions balanced?
- Did it make reasoned recommendations?
- Do you have any further comments?

Please send your feedback to stakeholders@ofgem.gov.uk.

Consultation Market Stabilisation Charge licence condition

Appendix 1. Outline impact assessment

- A1.1 We consider that this outline impact assessment is appropriate in the circumstances. First, market conditions mean that we want the MSC to be available as an option as soon as possible. We therefore consider that it is urgent to issue this consultation. Second, this consultation relates solely to reinstating the MSC licence condition. Activating the MSC would be a separate decision.
- A1.2 We briefly discuss the direct impacts of reinstating the MSC licence condition. While not the subject of this consultation, we then outline the potential impacts of activating the MSC. At this stage, the purpose of describing these potential impacts is to illustrate why the MSC is a plausible tool that we reasonably want to have available.

Direct impacts of reinstating the MSC licence condition

- A1.3 We do not expect that reinstating the MSC licence condition would have significant direct effects. (This is separate from the effects of activating the MSC).
- A1.4 We expect that the main impact would be the set-up costs for the central arrangements to make payments between suppliers. We do not expect these costs to be significant, especially as RECCo can benefit from the experience of implementing the previous MSC.
- A1.5 We also recognise that suppliers may incur some administrative costs in preparing for an MSC. Again, we do not expect that such costs would be significant given that suppliers have previous experience with an MSC.
- A1.6 We welcome any feedback on the likely scale of both RECCo and supplier costs.
- A1.7 We recognise that costs would be incurred regardless of whether the MSC was activated. In principle, we consider that it can be reasonable to incur some costs in order to provide future optionality for managing the effects of volatile wholesale market conditions.
- A1.8 Furthermore, reinstating the MSC licence condition could increase suppliers' confidence to hedge for their forecast SVT customer demand, at least to some extent. The increase in suppliers' confidence would depend on their expectations as to whether the MSC would be activated in a falling wholesale price scenario. Any increase in hedging could support market stability should prices increase further. This is because suppliers would be less exposed to the risk of losses from buying energy at higher prices. This increase in market

Consultation Market Stabilisation Charge licence condition

stability could benefit consumers, for example through reduced exposure to SoLR levy payments. The MSC could therefore deliver benefits, even if it was never activated.

Potential impacts of activating the MSC**Rationale**

- A1.9 Activating the MSC would be intended to support market stability during a sharp fall in wholesale prices. This could benefit consumers by reducing the risk of supplier failure, which can lead to costs to consumers through the SoLR levy.
- A1.10 As set out in Chapter 2, the MSC could also contribute to supporting investability. An investable market can ultimately benefit consumers, for example through improved customer service.

Counterfactual

- A1.11 For the purpose of this outline impact assessment, we consider the MSC against a counterfactual of a falling wholesale price scenario with no MSC. However, we also briefly explain how the consumer impact of the MSC could differ from alternative interventions to mitigate suppliers' losses.

Impact on consumers

- A1.12 To the extent that the MSC mitigated the risk of supplier failure, all consumers could benefit from a reduction in the SoLR levy. All consumers would also bear any costs of operating the MSC through REC charges.
- A1.13 Relative to the counterfactual, an active (and non-zero) MSC would mean that engaged consumers who switch supplier would likely pay more. This is because we would expect suppliers to include the MSC within the prices of their fixed tariffs.
- A1.14 The MSC maintains incentives to select a fixed tariff in a falling wholesale price scenario. However, as a result of reducing the gains from switching, some consumers might decide not to switch supplier. These consumers could pay more than in the counterfactual. The scale of the impact would in part depend on whether they were prepared to switch tariffs with their existing supplier.
- A1.15 Other consumers would not pay an MSC or have their tariff choice affected by the MSC. These consumers could therefore be net beneficiaries from an MSC, as they would benefit from any reduction in the SoLR levy.

Consultation Market Stabilisation Charge licence condition

A1.16 There would be alternative options to manage risks from falling wholesale prices, such as an ex post adjustment through the Cap. In principle, an ex post adjustment could deliver the same level of payment to suppliers as an MSC. However, the distributional impact would be very different. Engaged consumers would be better off with an ex post adjustment compared to an MSC, as they would avoid paying an MSC or through the Cap. Less engaged consumers would be worse off, as they would bear the costs through the Cap.

Impact on suppliers

- A1.17 Suppliers may incur administration costs while the MSC is in operation. Gaining suppliers would also incur a working capital impact in relation to the period between paying the MSC and receiving revenue from their tariffs.
- A1.18 In aggregate, suppliers would benefit from the MSC. Although the MSC is a payment between suppliers, we would expect the MSC payment to be factored into fixed tariffs. This means that an MSC payment should not be a net cost to the gaining supplier.
- A1.19 The scale of the benefits for individual suppliers would depend on the degree of engagement of their customer bases. Suppliers with a more engaged than average customer base would see greater than average benefits, because, absent an MSC, they would be more exposed to the risk of losing customers in a falling wholesale price scenario.
- A1.20 The consequences of receiving MSC payments would also vary between suppliers depending on their financial circumstances.
- A1.21 In a counterfactual without an MSC, some suppliers might be able to increase their customer numbers by offering fixed tariffs at a significant discount to the Cap. Such suppliers might therefore not see such benefits under an MSC. However, the MSC would still allow suppliers to offer some savings through fixed tariffs. Suppliers would also remain able to attract customers through non-price attributes, such as service quality.

Impact on competition

- A1.22 Relative to the counterfactual, an MSC is likely to temporarily reduce switching. This could have some impact on the competitive pressure on suppliers from the demand-side. However, the extent of any such impact would be mitigated by the design of the MSC, which maintains incentives to select fixed tariffs. The MSC would also only apply in a sharply falling wholesale market.
- A1.23 An MSC also reduces the opportunity for suppliers to gain customers quickly. Absent an MSC, such growth could affect the structure of the market and have

Consultation Market Stabilisation Charge licence condition

dynamic impacts on competition. However, the benefits to competition may be unclear if a supplier has grown due to temporary market circumstances rather than because it had a better underlying product.

- A1.24 Conversely, an MSC could benefit competition if it avoided the risk of failure for existing suppliers who would have remained in the market in more normal market conditions. Supplier exit is a normal part of a market and it is not our role to prevent exit. However, there is a question about how to manage the impacts of exceptional market conditions in the overall interests of consumers.

Impact on the environment

- A1.25 We do not expect that the MSC would have a direct effect on the environment.

Consultation Market Stabilisation Charge licence condition

Appendix 2. Privacy policy

Personal data

The following explains your rights and gives you the information you are entitled to under the General Data Protection Regulation (GDPR).

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. The identity of the controller and contact details of our Data Protection Officer

The Gas and Electricity Markets Authority is the controller, (for ease of reference, “Ofgem”). The Data Protection Officer can be contacted at dpo@ofgem.gov.uk

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data

As a public authority, the GDPR makes provision for Ofgem to process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

4. With whom we will be sharing your personal data

We may share your responses, including any personal data within them, with the Department for Energy Security and Net Zero.

5. For how long we will keep your personal data, or criteria used to determine the retention period.

Your personal data will be held for six months after the project, including subsequent projects or legal proceedings regarding a decision based on this consultation, is closed.

6. Your rights

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right to:

- know how we use your personal data
- access your personal data
- have personal data corrected if it is inaccurate or incomplete
- ask us to delete personal data when we no longer need it
- ask us to restrict how we process your data

Consultation Market Stabilisation Charge licence condition

- get your data from us and re-use it across other services
- object to certain ways we use your data
- be safeguarded against risks where decisions based on your data are taken entirely automatically
- tell us if we can share your information with 3rd parties
- tell us your preferred frequency, content and format of our communications with you
- to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

7. Your personal data will not be sent overseas**8. Your personal data will not be used for any automated decision making.**

9. Your personal data will be stored in a secure government IT system. (If using a third party system such as Survey Monkey to gather the data, you will need to state clearly at which point the data will be moved from there to our internal systems.)

10. More information For more information on how Ofgem processes your data, click on the link to our “[ofgem privacy promise](#)”.