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By email only to: priceprotectionpolicy@ofgem.gov.uk

E.ON response to Ofgem's consultation on Market Stabilisation Charge (MSC) activation

Dear Daniel,

Thank you for the opportunity to respond to Ofgem's consultation on activating the MSC[1].

E.ON supports temporary activation of the MSC on balance, acknowledging the consumer interest in responsible hedging during exceptional wholesale volatility and an investable retail market. We recognise MSC, when triggered, could reduce the immediate benefit to households of lower wholesale prices. Our support is therefore for MSC as a proportionate safeguard that preserves meaningful switching savings and effective competition. Ofgem should be clear in its decision that MSC provides partial mitigation, and the activation should be justified by the benefits it delivers for consumers.

Consumers should benefit from competitive offers that reflect lower forward costs. They also should continue to benefit from suppliers hedging responsibly to support the price stability provided by the cap. This creates exposure when customers change suppliers after a sharp wholesale price fall, requiring previously purchased energy to be sold back at a loss.

Customers can also benefit from lower-priced tariffs with their existing supplier, while the costs of energy previously purchased to serve them may remain. MSC does not directly address this exposure. We welcome Ofgem's assessment of these risks, informed by its access to market-wide information that is not publicly available.

On balance, we support the proposed calibration of the MSC parameters, recognising that the mechanism provides only partial protection while retaining scope for meaningful switching savings. Its continued appropriateness should be tested through monitoring and review.

We provide answers to the questions in the consultation in the annex below.

We hope these comments help Ofgem balance immediate affordability with the longer-term benefits of a resilient and competitive retail market. We would be pleased to discuss the assessment and the proposed monitoring framework further.

Yours sincerely,

James Doig

[1] Market Stabilisation Charge activation | Ofgem (16 October 2026)

Annex: Responses to questions in the consultation

Q1. Do you have any comments on our description of the current market context?

We welcome Ofgem's assessment of the risks faced by consumers and suppliers.

Q2. Do you agree that we should activate the MSC?

Yes, for the reasons set out above.

Q3. Do you have any comments on our proposed MSC guidance?

No further comments.

Q4. Do you agree with our proposal to keep the MSC parameters unchanged?

Yes, for this activation, subject to our comments on the trigger's design in Q5. The calibration should balance consumers' interests in meaningful savings and market resilience.

Q5. Do you agree with maintaining the MSC trigger as a percentage value?

Yes, we support retaining the percentage trigger for the purposes of timely activation.

For future design, however, we continue to favour a fixed price trigger (£/MWh) because it would better target material exposure while excluding normal fluctuations. We recognise price cap risk allowances scale with wholesale prices, but Ofgem's capital target is expressed in pounds per customer. We encourage Ofgem to evaluate the relative merits of fixed and percentage triggers as part of its post-implementation evaluation.

Q6. Do you agree with not including deferred allowances in the MSC calculation?

Yes, we agree with not including deferred allowances. However, we encourage Ofgem to monitor whether significant customer movements, including from default tariffs to fixed tariffs, materially change the recovery of deferred costs from that anticipated, and whether this creates unfair outcomes between consumer groups.

Q7. Do you have any comments on the notice period required for activating the MSC?

No further comments.

Q8. Do you agree with our proposed approach to deactivating the MSC?

Yes. To ensure the intervention remains proportionate, we would welcome a clear review point, transparent monitoring indicators, and criteria for deactivation when exceptional risks recede.

Q9. Do you have any comments on our draft impact assessment?

We support the impact assessment's focus on consumer outcomes. It would be strengthened by explaining how the Ban on Acquisition Tariffs (BAT) and the strengthened supplier financial resilience framework interact with MSC, including the residual risks that it is intended to address. This would help demonstrate how MSC complements existing protections while preserving meaningful switching savings and effective competition.