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MoneySavingExpert

MoneySavingExpert response to the Market Stabilisation Charge activation consultation

Summary

MoneySavingExpert (MSE) welcomes the opportunity to respond to this consultation on activating the Market Stabilisation Charge (MSC).

We strongly object to the activation of the MSC, which is unfair on consumers, dampens competition and deters switching. Even though a large wholesale price fall is currently hypothetical, simply activating the MSC is almost certain to squeeze competition; reducing the availability of switching deals and raising the price of those deals that are available (in turn, reducing the savings versus the Price Cap).

Whether or not wholesale prices fall to the extent the MSC is triggered, simply activating it means suppliers will nevertheless have to price the MSC into their tariff offerings, reducing savings at a time when the Price Cap is expected to rise some 27% in January[1].

We do not believe that activating the MSC to hypothetically protect suppliers at the almost-certain expense of consumers is justified or in consumers' interests – particularly at the current parameters.

We have grouped certain consultation questions and answered them together.

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

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

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

Should the MSC be activated, suppliers may never feel the consequences of a significant wholesale drop, yet consumers would immediately feel an impact. It's a foregone conclusion that consumers would face a situation in which prices are rising, yet they have even less opportunity to reduce their bills, even if they are (or want to be) active switchers.

Given that – as Ofgem itself acknowledges – suppliers would have to price the MSC into their switching tariff offerings, for as long as the MSC is active in the background:

[1] MoneySavingExpert keeps an updated table of Price Cap predictions using an average of several analyst forecasts. The figure 27% is correct as of 29 October 2026.
https://www.moneysavingexpert.com/utilities/energy-price-cap-prediction/#predictions

- Some consumers may have to lock in one of fewer available deals, at a higher price than would otherwise have been offered without an active MSC.
- It's also possible that savings versus the Price Cap would be so nominal that people may remain on the default tariff, leaving them exposed to quarterly price changes – which could spike further.[2]

Both of these scenarios are compounded by the price rises coming this winter.

Ofgem maintains that even if the MSC did have a negative impact on the competitive market, consumers could still make "significant gains" by switching to a fixed tariff in a falling market. However, the regulator has not provided enough publicly available pricing data to evidence the past impact or potential future impact of the MSC on tariff pricing in a falling, static or rising market, and savings relative to the Price Cap.

Even in the event that wholesale prices *do* fall significantly, consumers would still face a double bind. Those who switch bear the costs of the MSC in worse tariff offerings, with only a small proportion of the wholesale savings passed on to them in available deals. Those who don't – or can't – switch from the Price Cap may not see the benefit for up to four months[3], stuck with higher prices while wholesale prices fall. Even if they re-engage in the switching market, they are worse off if the MSC is active versus inactive.

Ofgem is also unable to fully validate its assumption that price falls would induce mass switching to such an extent that suppliers' financial resilience would be at risk. Even without the MSC, suppliers can offset some of their losses by selling energy back to the market, whereas consumers cannot 'offset' widespread price rises (including on the Price Cap) and reduced competition on available tariffs.

Overall, Ofgem claims that the cost to consumers of a reduced number of competitive deals which are more expensive is preferable to the costs associated with the Supplier of Last Resort (SoLR) process being socialised across all consumer bills. We do not believe Ofgem has sufficiently provided data on the comparative costs of either scenario on typical consumer bills, or the likelihood of supplier failure at any level of wholesale reduction.

While Ofgem *has* attempted to model the impacts of supplier failure in this consultation, contextually, SoLR levies would now be expected to have a far smaller impact on consumer bills (if any). Since the SoLR offset was brought in, combined with a strengthened financial resilience regime, the likelihood of failure should be significantly reduced, along with its impact on consumer bills. This is something Ofgem

[2] At the time of submission, the January 2027 Price Cap is highly likely to rise around 27%, following hefty consecutive price hikes leading to today's cap. Analysts currently predict further hikes of 8-9% in April 2027.

[3] This comprises a three-month assessment period plus the required advance notice.

acknowledges itself in the consultation. Therefore, we do not agree that this argument is compelling enough to justify activating the MSC.

Ofgem has also considered that more than two million households are already in debt to their suppliers and may struggle to pay bills. But this can be looked at through a different lens. Currently, some consumers with the means could potentially chip away at that debt, in the hope of coming off the Price Cap and re-entering a competitive switching market. Should the MSC be activated, there could be less incentive to prioritise energy debt over other debts, as switching would present less of a saving. Activating the MSC could then play a role in further entrenching energy debt.

In conclusion, Ofgem has said that suppliers should not have to absorb the "uncapped risk" should wholesale prices fall substantially, so the MSC would offset some of these losses for businesses. Meanwhile, activation of the MSC effectively means all consumers – both switchers and non-switchers – must bear the risk themselves and will lose out regardless of whether prices rise or fall.

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

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

MSE expects that the MSC is more likely to be activated than not – if so, Ofgem should at least consider adjusting the MSC to allow more meaningful savings. Ofgem could improve the incentives for consumers to switch by increasing the trigger point to at least a 15-20% wholesale reduction, and/or by decreasing the derating factor from 85%, so more of the savings could be passed onto consumers. For example, a 15% reduction leading to a 50% derating factor would be a huge improvement, which would still see people incentivised to take action.[4]

We note that Ofgem has said it has not considered changing the parameters of the MSC, on the basis it would delay activation. This is a mistake given wholesale price falls of this magnitude are currently hypothetical.

About MoneySavingExpert.com

MoneySavingExpert.com (MSE), founded and chaired by Martin Lewis, is dedicated to cutting consumers' bills and fighting their corner. It is the UK's biggest and most trusted consumer website. For more than 20 years, campaigning journalism has been at the heart of MSE's mission. The site is behind many notable campaigns, including student

[4] Indeed, the MSC was initially set at a wholesale reduction of 30%, and a derating factor of 75% (though was never triggered at that rate).

finance reform, reducing energy bills, mortgage help, scam ads regulation and helping consumers reclaim an estimated £1bn in bank charges and £12bn in PPI payouts.

With millions subscribing to receive the weekly MSE Money Tips email and visiting the site monthly, MSE ranks as YouGov's most recommended brand across all sectors in the UK. It is also, according to Press Gazette, the UK's largest specialist online news publication, with more traffic than many national newspaper sites. In September 2012, the site joined the MoneySupermarket Group PLC (now MONY Group PLC).

In the event of any queries, please contact the campaigns team: campaigns@moneysavingexpert.com