QUESTION	RESPONDENT DETAILS	RESPONSE
1. Do you have any comments on the proposed legal text?	**ScottishPower Energy Retail** Energy Supplier	Yes, we have high level comments and have detailed them below. Our detailed comments on the legal text are provided in a separate attachment. Generally, we believe the legal text is too high level and open to interpretation. For example – the timeline is not spelt out clearly enough. It was clearly evident on the call on 22nd April that a number of suppliers were expecting payment 30 working days from the original invoice not the Ofgem notice. Each time a working day is mentioned it needs to clearly state the starting point it is from. The call on 22nd April did help clarify a number of points, however it also helped to highlight several gaps within the legal text. For example, it was mentioned that a payment will not be triggered to a failed supplier when a SoLR is appointed as the supplier IDs will be part of the appointed supplier's group. However, that can only happen following a MDD change. As these only occur every month there is a risk of payments being made incorrectly. It was mentioned at REC Change Panel and on the call on 22nd April that non-domestic only suppliers will be excluded from the scheme. However, domestic MPXNs supplied under non-domestic contracts for all other suppliers will be included. This is fundamentally unfair. We recognise that the scheme is intended to be temporary and as simple as possible. To help keep it simple we would recommend not excluding non-domestic transfers as they may be leaving a domestic not non-domestic contract. If the scheme is to be extended, then a change could be raised to discuss longer term options. Lastly, we also believe that a clause should be considered that spells out that the data will be used for MSC only and no other purpose.
	EDF Energy Supplier	Yes. We have a number of comments on the proposed legal text: Clause 5.1 - Can we clarify that the statement noted will go to each supplier organisation as a single statement for all of their MPIDs, rather than a statement per MPID? Also, will these statements include any MPIDs that have been assigned to a supplier as part of the SoLR process? Clause 5.1 (c) - We understand this to mean that the statement will either be a request to pay, or a note of how much we'll receive but not both – can this be confirmed? Clause 5.3 – We do not believe that 5 working days is necessarily enough time to be able to pay any MSC invoices that are received

		from RECCo and would suggest that 10 working days would be more appropriate. Clause 6.2 - In the event of non-payment, suppliers have an additional 20 working days to make the payment before any real action is taken. This creates a risk that suppliers could use the full 25 days before paying, which slows down the payments to other suppliers who may need the MSC to continue to operate. There must be a robust escalation process between the two dates, overseen by the REC PAB, to mitigate the risk of late payment. Clause 7.3 (c) – It is not clear why the threshold for disputes has been set at £3000, this amount appears to be arbitrary. Clause 8.3 – There is a risk that, in the event that the MSC is underfunded due to late or non-payments from suppliers, apportioning the credit equally could result in undesirable outcomes and even supplier failure. There could be a scenario where a supplier's failure is only avoided by receiving 100% of the MSC, whereas the current drafting means they might only receive 40% (for example) until another supplier has paid their share of the cost. This may be a very rare and perhaps unlikely situation, as noted in our previous comment a robust escalation process that mitigates the risk of late payment is necessary to ensure that this does not occur.
	Utilita Energy Limited Energy Supplier	Section 4.1 – This needs to be clearer by stating that data can only come from existing reports made available to RECCo. The PAB should be able to review and confirm approval of the reporting method used for RECCo to conduct the Market Stabilisation Charge (MSC), as the PAB will also be the committee handling any potential disputes. Section 5.2 – We think this should be amended, statements are important for reconciliation purposes, especially where there are switches but the balance is zero, a supplier will want to confirm this statement is correct. We agree no statement is necessary where there are no switches to or from a supplier. Section 5.3 - 5 Working Days to pay RECCo is too short. This turnaround is the shortest of all processes in the MSC, which puts unnecessary processing costs on Suppliers to make payments and raise any queries. Also linked to this, we still have uncertainty between the query and dispute process. If a query has been raised within the 5 working days, but an appropriate response has not been provided within these 5 days, it is unclear if the query will be addressed if it's under the £3,000 payment or charge, and if it's not classified as a dispute. Section 7.3 (c) – £3,000 minimum discrepancy barrier is too high and in theory, contradicts the intent of MSC to aid market volatility. We are aware that this amount is copied from another code, but we don't agree that this justifies the cost or provides a strong rationale.

		Section 9 – This section should be removed as we believe this is already covered under Ofgem's Electricity and Gas Licence.
	EON Energy Supplier	No, the wording of the legal text makes explicitly clear that the MSC is only applicable to Domestic Customers
2. Do you have any comments on the proposed solution, as set out in the High Level Solution Overview v1.0?	**ScottishPower Energy Retail** Energy Supplier	Yes. As above, RECCo must provide suppliers with the backing data to allow simple validation of the statement / invoice. No rationale has been provided for the 5WD payment SLA though we note this was covered at the call on 22/04/22. We do not believe the comparison with BSC or DCC is relevant here. These are long-standing and high value invoices while the MSC is a short-term measure with far smaller amounts for payment. Further, this is a temporary measure that is planned to resolve short term issues so should not place onerous requirements on suppliers. However, we believe that there is scope within the end to end timeline to amend other SLAs that would allow the gaining suppliers longer to pay while still allowing the losing supplier to receive the payment within 30 WDs. We recommend a workshop is held to discuss. If the scheme is extended or the values increase dramatically then a REC Change can be raised to amend. As above, we do not believe that the comparison with the Trading Disputes Committee (TDC) is relevant. These are domestic sites with far lower consumption levels so the threshold of £3000 places an unfair burden on both the gaining and losing supplier to collate information to raise a dispute. You need to be very clear what SSC means to avoid misinterpretation, particularly as this document will be used for both fuels. You use it first in Section 3 "Validation of MPIDs and SSCs against Energy Supplier standing data" but don't spell out that it means Supplier Short Code until 5.1.4 There has to be a responsibility on RECCo / REC Code Manager to provide the bank details (in line with supplier's individual requirements) in advance of 30th June to ensure they are ready to make any payments IF an invoice is triggered at go live on 30th June. Only providing this with the invoice could lead to delays that are beyond the control of a supplier. For example, we require vendors to complete an online form before we set them up within our financial systems. Fundamentally disagree with using the CSS Domestic Premise Indicator immediately following CSS go live. This is an indicator that suppliers have not been able to update and will have limited ability to update immediately following go live. Further, the whole point of the scheme is to compensate the losing supplier. As such how the losing supplier classes the MPXN must be the driver not the gaining supplier's update. We would recommend leaving as is for the time being at least. As mentioned above, it was mentioned on the call on 22nd that transfers within a supplier group (for example SPOW to MANW) and SoLRs will be included in the meta data but will be excluded when the statement / invoice is generated. Section 5.1.3 seems to contradict this. These must be excluded to avoid unnecessary

		waste of resources for suppliers, RECCo and potentially REC PAB. Invoicing – on the call on 22nd it was mentioned several times that suppliers will be billed at a Group level. That is not clear in section 5.1.5 as it keeps mentioning MPIDs / SSCs. Disputes – a timeline for resolution is required. Suppliers have a clear (and very short) timeline to raise a dispute. Given the impact an upheld dispute can have on the losing supplier there has to be a clear, published timeline for resolution. Additionally, we expect the losing supplier to be able to raise a dispute if they disagree with the statement received, the current wording suggests only the gaining supplier can do this.
	EDF Energy Supplier	Yes. We have a number of comments on the proposed solution: • Ofgem may decide to keep making tweaks to the MSC as it becomes more enduring, for as long as it is needed anyway – is the REC solution being designed to be flexible in case of any further changes? Or would any change to the requirements require a renegotiation of the contract between RECCo and its service providers? • It is noted that the data being requested to populate the model will be aggregated and not at individual site (i.e. RMP) level. Without site (RMP) level information suppliers will not be able to fully validate the invoices they are receiving; in order to do so they will need to effectively recreate the calculations themselves (at a cost), otherwise their ability to analyse and dispute their invoices will be very limited. We would like to see RMP level data provided as part of the invoicing process. • Reconciliation and Cash Allocation – as noted in the comments on the legal text there is a risk that, in the event that the MSC is underfunded due to late or non-payments from suppliers, apportioning the credit equally could result in undesirable outcomes and even supplier failure. There could be a scenario where a supplier's failure is only avoided by receiving 100% of the MSC, whereas the current drafting means they might only receive 40% (for example) until another supplier has paid their share of the cost. This may be a very rare and perhaps unlikely situation, as noted in our previous comment a robust escalation process that mitigates the risk of late payment is necessary to ensure that this does not occur. • It is noted that SoLR switches (between the failed and replacement suppliers) will be counted in the data based on the information provided – why can't these be excluded? If it is not possible to exclude them from the source data, they should be excluded from any invoice calculations; if they are not then the money is going to be paid by the appointed SoLR and then paid back to them a few days later as the 'replacement supplier'. Not only is that unnecessarily complicated, it could impact the tariffs that suppliers offer into the SoLR process, as well as complicate potential future levy claims.

		• In the event of a SoLR we require assurance that any MSC payments would not be paid to the failed supplier (or their administrators) but to the SoLR supplier instead, as they are liable for the energy that is being purchased for the customers of the failed supplier from the point of the SoLR direction. • It is also noted that switches between Gaining and Losing Suppliers who have the same parent company will be included in the data - why can't these be excluded? • It is noted that for the purposes of MSC calculation an electricity switch will be counted as long as the Supply Effective From Date has been reached, however for gas switches the criteria refer to reaching the Supply Effective From Date plus there being no objections/withdrawals – can you please explain why there is a difference between the two? • Pre-CSS go live, whether the site is domestic or not will be determined by the Profile Class and Measurement Class, however it is well known this will not accurately reflect whether a customer is domestic or not (as defined in the supply licences) and will capture a number of sites that would be defined as non-domestic in the supply licences and therefore should not be included in the MSC mechanism. • It is not clear from the design exactly which EAC or AQ will be used in the calculation. These are recalculated periodically (more frequently for EACs) and can fluctuate so exactly which one is used in the calculation could materially impact the value of MSC. We need this level of information not only to determine whether we agree that the appropriate value is being used, but also because we may need this information to be able to validate any MSC invoices. • The solution overview notes that Erroneous Transfers (ETs) will be treated as 2 unrelated switches, the assumption appearing to be that they should effectively cancel each other out. However, in some cases the two switches will be weeks or even months apart – so the MSC value is likely to be different for of the two switches, or the MSC could not apply at all to one of the switches. This could potentially penalise a supplier who has gained a customer and switched them back – they will not able to bill the customer for the period of supply but could still be liable for an MSC charge for that period of supply. • The solution means that every switch will effectively be treated as exactly the same, however the impact will vary depending on whether the customer has a fixed or Standard Variable Tariff (SVT). Fixed contract customers will also be captured in the calculations but will not be impacted in the same way as SVT – the materiality of this should be considered if the MSC remains in place for longer than is currently anticipated. • Invoices/credit notes will be issued four weekly to suppliers and broken down to MPID level. Does this mean separate payments/ charges per MPID, or just that it will be shown separately on the same invoice bit with a single overall payment/credit value?

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As already noted, the calculations as proposed will treat every switch as basically the same but there are a number of events that can result in a switch occurring, not all of which should necessarily be treated the same from the perspective of the MSC calculations. A list of example scenarios is below. How have these scenarios been accounted for in the calculation of the MSC – and if they haven't, what impact will this have on the accuracy of the MSC calculations and the payments that will be made by and to suppliers? Our concern is that making the MSC calculations simple might also make them inaccurate and could result in Ofgem's intent in introducing the MSC not being met.

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<tr><th>CoS event Type</th><th>Description</th><th>Frequency</th></tr>
<tr><td>Standard CoS event</td><td>Existing customer changes their supplier at their existing property</td><td>These are the most frequent type of switch.</td></tr>
<tr><td>Switch back to resolve Erroneous Transfer</td><td>Customer switches back to their original supplier to resolve the ET.</td><td>ETs usually make up a relatively low proportion of switches (1-2%)</td></tr>
<tr><td>Switch back during cooling off</td><td>A customer chooses to switch back to their original supplier as the result of cancelling during the cooling off period.</td><td>We don't know how many customers will choose to switch back to their original supplier; based on historic cancellation rates this could be up to 10% of switches.</td></tr>
<tr><td>Switch again during cooling off</td><td>A customer chooses to switch to a new supplier as the result of cancelling during the cooling off period.</td><td>We don't know how many customers will choose to switch back to another supplier having cancelled their contract.</td></tr>
<tr><td>Change of tenancy CoS event</td><td>Existing EDF customer moves to a property supplied by another supplier and keeps their contract with EDF.</td><td>These are usually the second most frequent type of switch.</td></tr>
<tr><td>SoLR CoS event</td><td>A customer changes supplier as the result of the Supplier of Last Resort process.</td><td>Overall, these are low in volume but when they do occur, they usually impact a high volume of switches in a relatively short period of time.</td></tr>
<tr><td>MPID consolidation CoS event</td><td>A supplier changes which of their MPIDs an existing customer is registered to.</td><td>Overall, these are low in volume but when they do occur, they usually impact a high volume of switches in a relatively short period of time.</td></tr>
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<td>Utilita Energy Limited
Energy Supplier</td>
<td>The High-Level Solution is too high level and lacked fundamental detail, especially for an Urgent Change Proposal. A lot of our questions were addressed in a recent MSC workshop, but the High-Level Solution Overview v1.0 lacks a lot of useful information that impacts the day-to-day operations of an Energy Supplier and how these are included (or excluded) from MSC</td>
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		charging/payment mechanisms. The overview document excluded how certain switching exceptions will be managed within MSC such as new SoLRs, ETs, and cancelled/returned switches due to Faster Switching cooling-off. More detail is also needed to understand the robustness of the aggregated reports e.g. which EAC is being used and how commercial and domestic switches are distinguished by Energy Suppliers and RECCo alike. Other topics that need to be included or made clearer include; - The cost for the years MSC is running, its build, and implementation should be included in this Change Proposal and not only found in RECCo's forward plans document written in January/February 2022. - The rationale for RECCo retaining payments that are not allocated to suppliers after the closing cessation period of 12-weeks is not clear and should be re-thought by simply returning this amount to the correct supplier. Finally, It would be helpful if this document was updated again with points raised and answered from the MSC workshop, as well as those raised in the Impact Assessment Consultation.
	EON Energy Supplier	Regarding the calculation of MSC liability and suppliers ability effective challenge: The MSC is only applicable for Domestic customers and REC have stated their intention to use the Gas Market Sector Indicator and Electric Profile class as the primary data items to identify a Domestic Switch. However, this may only provide a view of end customer use and not necessarily whether the meter point is a Domestic or Non Domestic Supplied Site under contract. Therefore there is inherent risk that Domestic end use under a Non Domestic Customer contract will be erroneously included in MSC calculations. REC have stated their intention to not supply the backing data used to calculate suppliers' liability. Therefore, in order to effectively validate the liability placed on us we would essentially need to internally recreate the entire MSC candidate site selection process. Given the fluidity of this type of data this will undoubtedly lead to situations of continued conflict between ourselves and REC with regard to the accuracy of any MSC related invoices. This can be remedied by REC providing suppliers with the backing data used by REC (specific to each supplier) containing the total list of MPxN's (to validate the correct sites have been included), and the EAC/ AQ along with their respective Sig date/ EFD (to validate the correct MwH/ £). This data will be readily available to REC and therefore providing suppliers with this data should come at no extra cost.

		Regarding the time frame for disputes: Given that REC have stated their intention to not provide backing data, the timeframe of 10 working days in which to raise a dispute places an unfair burden on suppliers to dedicate resource to the validating of the the MSC liability. Regarding the threshold for raising a dispute: Given that invoicing will have no de minimis billing requirements yet the minimum threshold for raising a dispute is stated as £3000, the expectation appears to be that suppliers (and therefore ultimately customers) will simply absorb the financial cost of incorrectly calculated liabilities. Given the current financial climate it would be more reasonable to align these two amounts.
3. Would implementing this change incur any costs to your organisation? If so, please provide details.	**ScottishPower Energy Retail** Energy Supplier	Yes, we will incur costs. However, the level of costs depends on the level of information provided by RECCo. If suppliers receive the backing data, the impact will be limited to ensuring the invoices are paid on time. However, if the backing data is not provided we will have to develop our own internal validation data sources which might require additional data to be provided by Electralink or Xoserve as the EAC / AQ used might not always be available to us at the time. To be clear by backing data we do not mean we are billed on individual MPXNs but instead that the MPXNs and the EAC / AQ is provided by a secure file transfer (e.g. REC Portal) to allow suppliers to easily validate the monthly statement or invoice. As noted above the process for SoLRs needs to be clear to avoid any unintended consequences for the appointed supplier.
	EDF Energy Supplier	Yes We are unlikely to incur any direct costs as a result of this change being implemented, other than our share of RECCo's costs for developing, implementing, which as noted are not yet determined. We are, however, likely to need to develop an internal reporting capability in order to be able to validate the MSC statements that we receive from RECCo. We therefore require clarification, as noted above, as to exactly what data will be obtained from the data providers and what criteria will be used (for example to identify the relevant EAC or AQ) to enable this reporting to be developed. Again, as noted above the provisions of RMP level data as part of the invoicing would help to simply and automate this reconciliation process and reduce these costs.
	Utilita Energy Limited Energy Supplier	Yes, Due to the reporting being aggregated, we would need to set aside resources and time to validate these statements, which will add further cost. There is also a possibility of making monetary

		losses for small-scale discrepancies or larger scale disputes (above £3,000) depending on the evidence available and the time it takes to resolve these issues with the PAB.
	EON Energy Supplier	Yes. There will be an inherent FTE resource cost related to a) the processing of additional invoices b) the validation and disputing of the MSC charge in itself. The resource required to manage this process will be wholly dependent on the provision of the underlying data used by REC in calculating the MSC liability. This cost will be greatly reduced should we be provide with the data Under the 'pay now dispute later' approach, there is also the potential for the loss of interest earned against monies paid out. This is especially true given the very short period of time between the receipt of invoice and the closing of the payment window versus the end-to-end resolution timescale of the dispute process
4. Do you identify any benefits to your organisation through the implementation of the proposed changes? If so, please provide details.	**ScottishPower Energy Retail** Energy Supplier	Yes, agree with those set out in Ofgem's decision that "the MSC will help suppliers to better manage, on behalf of consumers, the risks posed by severe energy price volatility. In this way, they will mitigate the shorter-term risk of consumers facing significant disruption and additional costs from further disorderly supplier exits (including the failure of one or more larger suppliers), and the associated longer-term negative effects on investment, innovation and competition in the retail energy market. The MSC will assist suppliers who have done the right thing by purchasing energy for their customers to better recover those costs if we see a sharp fall in wholesale prices."
	EDF Energy Supplier	Yes. There is a clear benefit to be obtained by suppliers through the introduction of the MSC, as it will help to protect suppliers from the adverse impacts of customer switching at a time of extreme volatility in the wholesale energy market. While the benefits of the MSC as a whole are clear, we are concerned that the manner in which is it being implemented, as noted in our comments on the high level technical solution, will mean that it will not have the desired effect, target the right switches, and ensure that the right MSC payments are being made.
	Utilita Energy Limited Energy Supplier	-
	EON Energy Supplier	No. Given the stagnation of customer switching activity and uncertainty regarding mid to long term wholesale market volatility, it is not realistic to predict any material benefits at this point in time
5. Does the proposed implementation date affect the costs or benefits	**ScottishPower Energy Retail** Energy Supplier	The impact will depend on the availability of data to allow us to validate the invoice / statement as both a gaining and losing supplier. If no data is provided, we are unlikely to be able to fully validate invoices at go live.
	EDF Energy Supplier	No.

that would be seen by your organisation? If so, please provide details.		As long as the MSC calculation can be accurately backdated once the solution has been implemented to account for any payments that might be due for switching activity before implementation, the implementation date should not impact the costs or benefits that we expect to see as a result of this.
	Utilita Energy Limited Energy Supplier	-
	EON Energy Supplier	No
6. Do you have any other comments relating to this Change Proposal?	**ScottishPower Energy Retail** Energy Supplier	Although ScottishPower has made a large number of comments on the CP and the legal text, we do support the concept of the MSC and the implementation date. We are happy to work with RECCo and the REC Code Manager to help resolve the issues highlighted in this response.
	EDF Energy Supplier	No.
	Utilita Energy Limited Energy Supplier	-
	EON Energy Supplier	No