House of Commons Library

Research Briefing

By Paul Bolton

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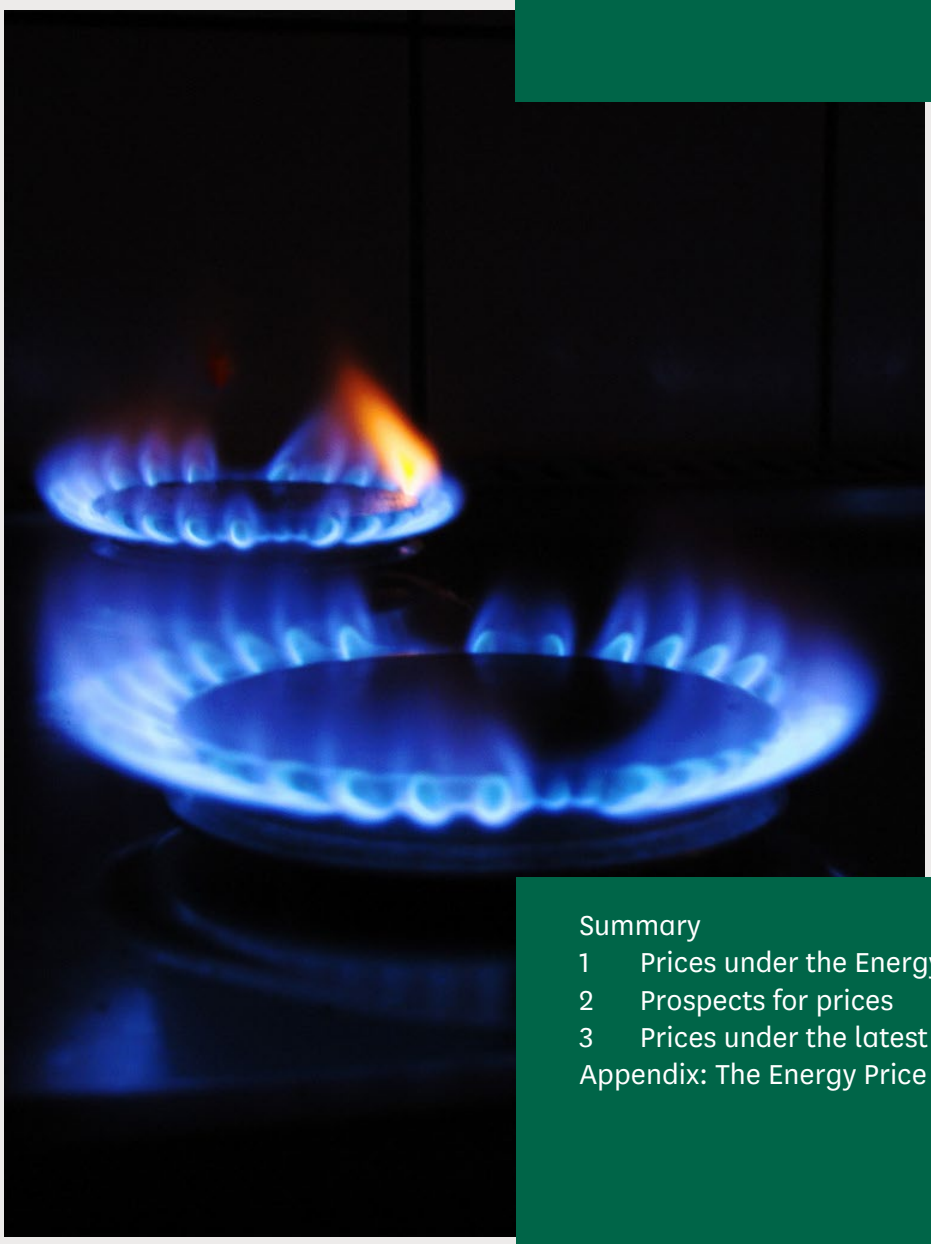
Gas and electricity prices during the 'energy crisis' and beyond



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Summary

Global prices for gas, electricity, oil and other fuels started to increase from summer 2021 when economies began opening up after pandemic related-lockdowns. This underlying increase was magnified by reduced supply of fuels from some producers and increased tensions between Russia and Ukraine.

Prices increased further in late 2021/early 2022 and spiked after Russia launched a full-scale invasion of Ukraine on 24 February 2022.

UK gas spot price high & volatile in 2021-2022, remains relatively high afterwards

Daily wholesale spot price (system average). Pence per kWh

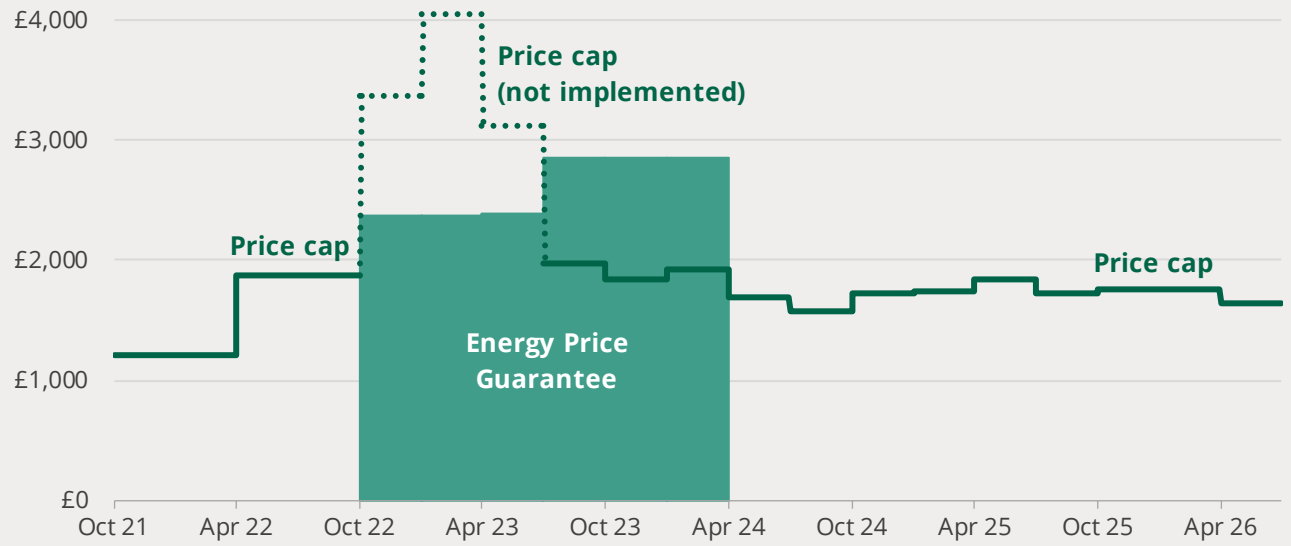
The first major impact on domestic customers in Great Britain (those on standard variable tariffs and hence covered by the energy price cap) was a 54% increase in the price cap in April 2022

Wholesale prices for gas and electricity reached new record highs in the UK, Europe and elsewhere during this ‘energy crisis’ and have still not returned to their earlier levels.

The crisis led to an unprecedented response from governments across Europe. In the short term this was mainly to support consumers facing much higher prices and, for some, to move away from Russian fossil fuels. Medium to longer term policies in the EU and UK aim to reduce dependence on imported fossil fuels more generally.

EPG limited price increases in winter and spring '22/23 to below price cap levels

Annual bill equivalent for new typical levels of consumption, direct debit dual fuel customers



The record prices in 2022 would have led to an 80% increase in the energy price cap in Great Britain without intervention from government. The Energy Price Guarantee limited the increase to 27% in October 2022 and meant that domestic consumers paid less than they would have under the price cap until July 2023.

What are current domestic energy prices?

Under the January to March 2026 direct debit price cap the average annual bill for typical gas and electricity consumption is £1,758. This is well below the peak level of £2,380 level under the Energy Price Guarantee from October 2022 to June 2023, but still 44% higher than in Winter 2021/22.

The price cap will fall by 7% in the second quarter of 2026, and is currently forecast to remain at around this level in the third quarter of 2026.

Under the current direct debit cap the average price of gas is 5.9 pence per kilowatt hour (p/kWh), the average price of electricity 27.7 p/kWh. Average standing charges are 35.1 p/day for gas and 54.7 p/day for electricity.

The average price of gas under the direct debit cap will fall to 5.7 p/kWh in April 2026, the average price of electricity will fall to 24.7 p/kWh. Average standing charges under this cap will fall by 6.0 p per day for gas and increase by 2.5 p per day for electricity.

How do energy prices in the UK compare to those in the EU?

UK domestic gas prices in the first half of 2025 were below those in 17 EU countries. UK electricity prices were higher than in all but one EU state (Germany). Electricity prices in the UK have gradually become more expensive than in most other EU countries. In the early 2000s domestic electricity prices were the second lowest in the (then) EU 15.[1]

Gas prices in the UK were 28% below the EU average and electricity prices 23% above the EU average in the first half of 2025. The ratio of electricity to gas unit prices in the UK was higher than in any EU country at the time.

UK consumer prices for gas and electricity increased at a much faster rate than the EU average in 2022. Price falls in the UK in 2023 happened later than in most of the rest of Europe.

For more detail on international price comparisons of household energy prices see section 7 of the Library briefing Domestic energy prices.

What was the Energy Price Guarantee?

Following concerns over the effect of a proposed 80% increase in the energy price cap, then Prime Minister Liz Truss announced that the Energy Price Guarantee (EPG) would be introduced from 1 October 2022 and last two years. This was the government's main measure to reduce the impact of the 'energy crisis' on consumers.

Under the scheme, the government set maximum prices for gas and electricity which resulted in price increases in October 2022, but these were smaller than increases would have been under the price cap. The government compensated energy suppliers for selling at below cap prices.

The price increases under the EPG were softened for the first six months by the £400 Energy Bill Support Scheme. This was paid in six separate monthly instalments from October 2022 to March 2023.

Maximum energy prices for customers on standard variable tariffs were set by the lower of the EPG or the energy price cap. The EPG was lower during the period October 2022 to June 2023, so set maximum prices during this time.

The falls in the price cap from July 2023 meant the EPG was not needed again and it ended in March 2024.

[1] DESNZ, International domestic energy prices (Table 5.6.2)

Annual bills for ‘typical’ consumption levels

The EPG and price cap are normally expressed as an annual figure. This is the annual bill that dual fuel (gas and electricity) direct debit customers with typical consumption levels would face if these prices remained constant across a year. Annual bills are not capped. Households that use more energy will pay more, those which use less will pay less.

Prices vary by region and are higher for customers paying by quarterly bills.

Prices in 2023 and early 2024

Wholesale energy prices fell in late 2022 but there was a substantial lag before these fed through to consumers. The reduction in the price cap in April 2023 was not large enough to take it below the EPG level, so customers did not see their bills fall until the cap fall at the time.

The price cap (for typical consumption) for July to September 2023 was £1,976. Unit prices were 27% lower than under the EPG for gas and 9% lower for electricity. As its annual level was lower than the EPG, customers on standard variable tariffs saw prices fall for the first time since October 2020.

The cap fell further to £1,834 In October 2023. It increased to £1,928 in the first quarter of 2024. As these levels were below the EPG, this mechanism was not needed to set maximum prices again before it ended in March 2024.

The April to June 2024 cap fell to £1,690 for customers with typical consumption levels. Average unit prices for gas and electricity both fell by 9%. Average standing charges increased by 13% for electricity and 6% for gas.

Price changes from April 2024

The overall price cap for typical levels of dual fuel consumption has varied from around £1,570 in July to September 2024 to around £1,850 in April to June 2025. They are £1,758 under the current cap. Unit prices for gas have fallen by 2% between the start and end of this period, unit electricity prices have increased by 13%. Standing charges increased steadily to early 2025 before falling in the second and third quarters of 2025. They are due to fall in April 2026.

Prospects for prices

Wholesale gas prices have fallen since their post ‘energy crisis’ high in February 2025, while wholesale electricity prices have remained broadly

stable over the last 18 months. These trends fed into earlier changes in the cap. However, the fall in cap in April 2026 is largely due to reductions in policy costs. Unit prices for gas and electricity will fall by 3% and 11% respectively. Standing charges will fall by 17% for gas and increase by 4% for electricity.

Despite the fall in prices in late 2023, much of 2024 and April 2026, typical bills under the April to June 2026 price cap will still be 35% higher than in winter 2021/22.

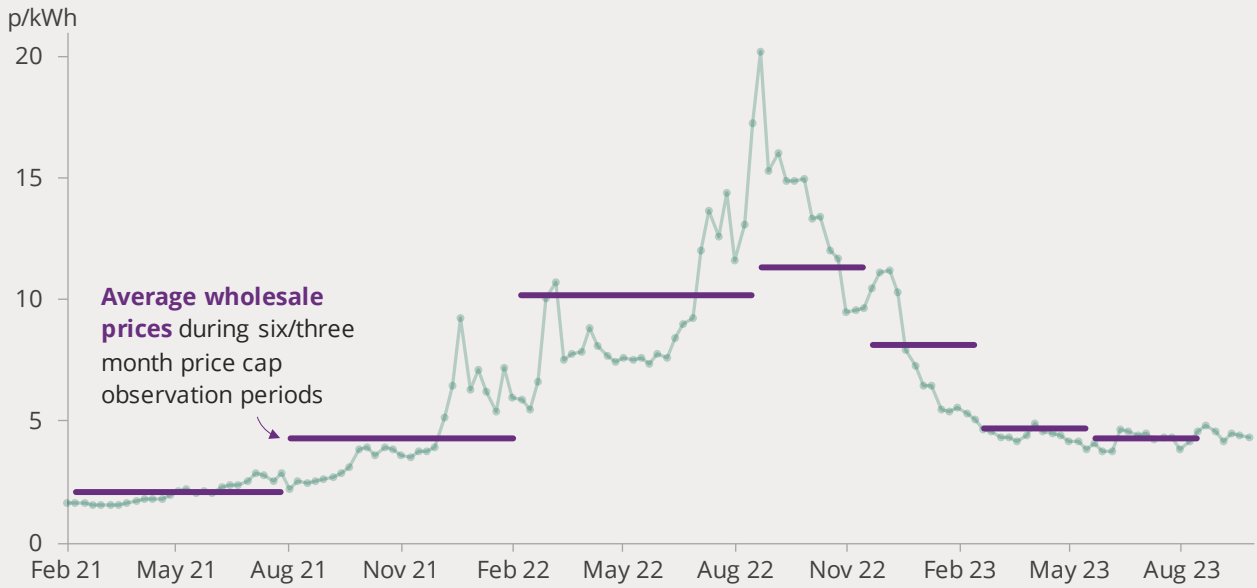
The cap is currently forecast to remain at around its second quarter 2026 level in the following quarter. Forecasts of the price cap are uncertain so there is no guarantee that prices fall at this time.

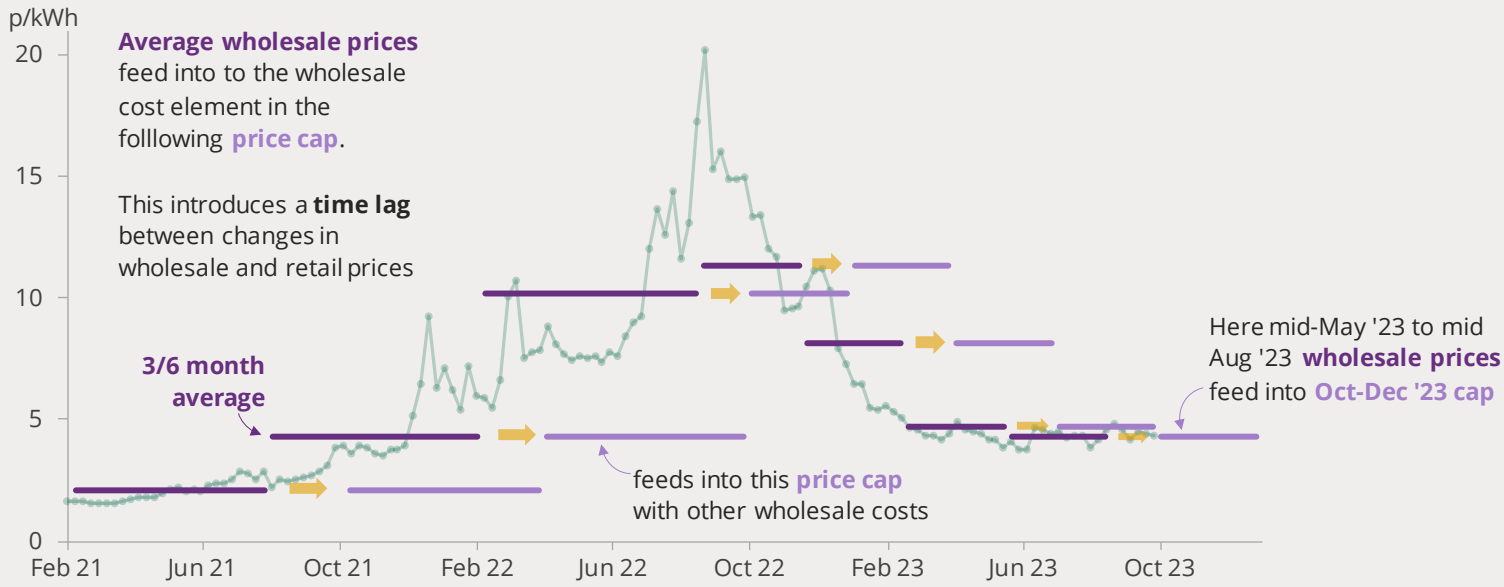
With little immediate prospect of savings from fixed tariffs or substantial further cuts in the price cap, the only way to substantially reduce energy bills, while still adequately heating and powering homes, is to improve the energy efficiency of properties.

Customers in Northern Ireland

Energy prices in Northern Ireland are not controlled by the price cap and only a minority of households use mains gas for heating. The government provided support for customers in Northern Ireland which was said to be equivalent to the EPG. This resulted in the largest electricity supplier in Northern Ireland cutting prices in November 2022 to below those in the rest of the UK. However, reduction in this support from April 2023, and its ending from July 2023, led to price rises in Northern Ireland in 2023. Since October 2023 the cheapest prices from Northern Ireland's largest supplier have been higher than prices under the cap in the rest of the UK.

Illustration of the time lag between wholesale and retail gas prices under the price cap





Notes:

The wholesale price data is illustrative only. It is weekly average forward prices published by Ofgem. The actual data Ofgem uses to set the wholesale element of the price cap is 'proprietary' and not published by them.

The gas wholesale cost element of the cap also includes backwardation costs and some other direct fuel costs which are not shown in the price cap lines in the final chart.

Revised Typical Domestic Consumption Values

Ofgem introduced new lower Typical Domestic Consumption Values (TDCVs) for all its relevant publications from October 2023. This reduced the assumed typical level of annual gas consumption from 12,000 kWh per household to 11,500 kWh and typical electricity consumption from 2,900 kWh to 2,700kWh.

This change makes an average bill for typical consumption look lower, even if prices per unit of energy are unchanged. However, it does not have affect trends in prices or bills.

Most statistics included in this briefing use the new lower TDCVs. Where relevant, ie. for discussion of EPG levels, data on average bills is presented using both the current and the old TDCVs. Unit prices are also included as these are not affected by assumptions about TDCVs.

Further information

The Library briefing Domestic Energy Prices includes more analysis of the causes of recent prices rises, historical data and information on prices of other domestic fuels. Households off the gas-grid and prices for alternative fuels looks at prices of fuels for households that do not use mains gas for heating and compares changes in their prices to those for mains gas.

Energy standing charges looks in more detail at these costs, how they have changed over time, what they consist of and proposals for change.

The briefing Energy efficiency of UK homes presents data on energy efficiency levels across the nations of the UK, variations by different types of properties and households, insulation measures and government funded/mandated energy efficiency schemes.

Introduction to the domestic energy market explains key concepts in the domestic energy market and looks at how the market is structured, how bills are calculated and the challenges facing energy supply. The insight Why is cheap renewable electricity so expensive? Looks at how prices are set on the wholesale market.

The briefing Constituency casework: Government support for energy bills includes answers to frequently asked questions about government help with energy bills. Help with energy efficiency, heating and renewable energy in homes includes information on financial support to install these measures.

The data dashboard Local area data: fuel poverty gives fuel poverty statistics for constituencies in England and local authorities in Scotland, Wales and Northern Ireland. Constituency data: Households off the gas grid shows patterns of connection to the gas grid for constituencies in Great Britain. Constituency data: Energy efficiency includes data on energy efficiency measures and ratings.

1 Prices under the Energy Price Guarantee and price cap

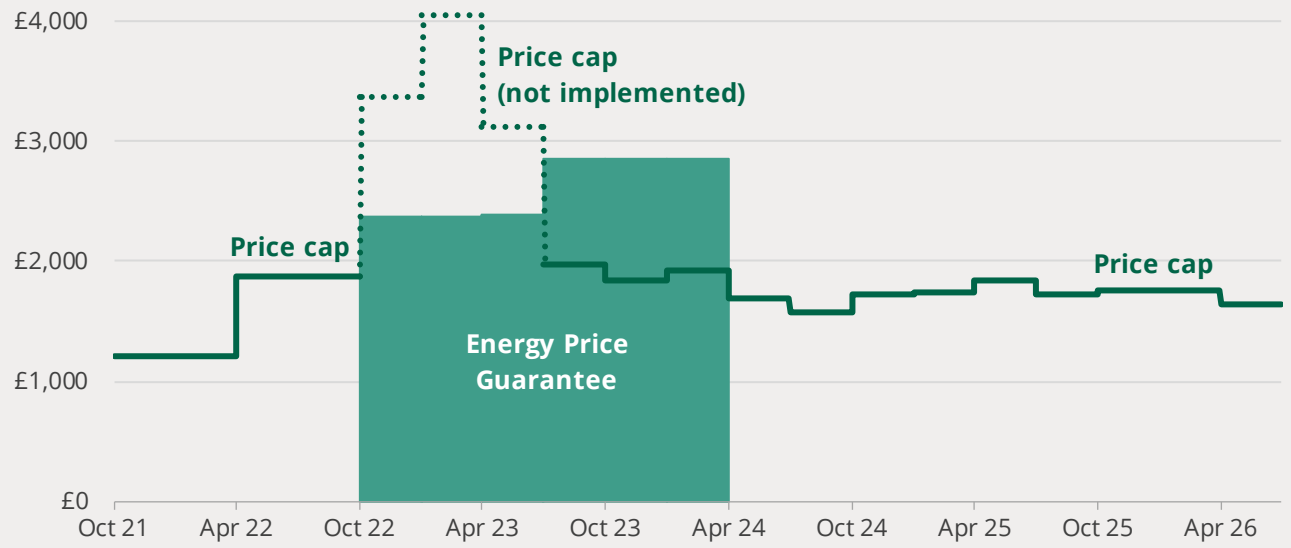
The Energy Price Guarantee (EPG) operated in Great Britain from nine months between October 2022 and June 2023. It set maximum unit prices for this period which were lower than the price cap level. The government paid energy suppliers the difference between the prices they would have received under the price caps at the time and the lower EPG prices.

The EPG was not needed from July 2023 to March 2024, as its price levels were higher than those of the price cap. The EPG ended on 31 March 2024.

For more background on the EPG see the appendix to this paper.

EPG limited price increases in winter and spring '22/23 to below price cap levels

Annual bill equivalent for new typical levels of consumption, direct debit dual fuel customers



1.1 What were gas and electricity prices under the EPG and price cap?

Standard variable tariffs October 2022 to June 2023

The Department for Business, Energy and Industrial Strategy (BEIS) published unit costs for different regions and payment methods for October to December

2022 on 7 October 2022. Average prices for direct debit customers, including VAT, were 10.3 p/kWh for gas and 34.0 p/kWh for electricity.[2]

The £2,500 illustrative annual bill figure[3] used at the time was for direct debit customers under the EPG up to June 2023. There were higher figures for prepayment meter users of £2,544 in April to June 2023 and higher still for those paying by other standard credit (normally quarterly bills after usage) at £2,702. All these annual levels use the same 'typical' consumption levels as for direct debit customers.

Energy price caps:
(new TDCVs)

Winter '21/22	£1,216
Summer '22	£1,877
Q4 2022	£3,371
Q1 2023	£4,059
Q2 2023	£3,116
Q3 2023	£1,976
Q4 2023	£1,834
Q1 2024	£1,928
Q2 2024	£1,690
Q3 2024	£1,568
Q4 2024	£1,717
Q1 2025	£1,738
Q2 2025	£1,849
Q3 2025	£1,720
Q4 2025	£1,755
Q1 2026	£1,758
Q2 2026	£1,641

From Q4 2022 to Q2 2023 customers were protected by the EPG

Price cap July to September 2023

The cap for direct debit customers with typical annual consumption was £1,976.[4] Unit prices for gas fell by 27% to 7.5 p/kWh and fell by 9% for electricity to 30.1 p/kWh. Daily standing charges for gas and electricity remain at their Q2 2023 levels. Average bills for typical annual consumption for standard credit customers were almost 7% higher at £2,108. [5]

At the Spring Budget 2023 the government announced that from 1 July 2023 until the EPG ends, charges for prepayment customers would be brought into line with comparable direct debit customers. This would be taxpayer funded.[6] They later announced that this would be implemented through the EPG (specific to PPM customers). This set a lower unit rate for gas than the July-September cap for PPM customers to bring overall bills[7] in line with direct debit customers. The discount was 0.249 pence per kWh (before VAT) for this quarter. Electricity prices for this cap were already lower for PPM customers so there was no separate PPM EPG for electricity.[8]

Price caps October 2023 to March 2024

The cap for direct debit customers with typical annual consumption was £1,834 in the final quarter of 2023 and £1,928 in the first quarter of 2024. Unit prices for gas and electricity fell in October 2023 and increased by a slightly smaller amount in January 2024. Standing charges remained broadly stable in this The support for PPM customers continued to be delivered through lower standing charges. The daily standing charge for electricity this quarter was 4.7 pence lower than its cap level (after VAT) and the daily gas standing

2 The unit costs for electricity are for single-rate meters. The Government said "For customers on multi-register tariffs such as Economy 7, suppliers have flexibility to apply slightly different discounts to the individual rates within the tariff, helping to balance out the reduction of more expensive day rates with cheaper night-time electricity rates. Each supplier will approach this differently."

3 Based on the old (higher) assumptions about typical annual consumption

4 All the data in this and the following sections are based on the new (lower) assumptions about typical annual consumption.

5 Ofgem, Customers to pay less for energy bills from summer (25 May 2023)

6 HM Treasury, Spring Budget 2023 (para 4.15)

7 Standing charges and unit costs for 'low' levels of energy use, defined as 8,000 kWh of gas and 1,800 kWh of electricity per year.

8 DESNZ, Energy Price Guarantee (prepayment meters): regional rates, July to September 2023 (26 May 2023)

charge 7.1 pence lower. The overall EPG for typical consumption for PPM consumers fell to £1,917.[9]

Price cap April 2024 to present

The cap for direct debit customers with typical annual consumption changed less in this period than during the previous two years. It has been in the £1,570 to £1,850 range with the highest prices in the second quarter of 2025 and the lowest in the third quarter of 2024.

Electricity unit prices have been more volatile and increased by 8% between April 2024 and July 2025, compared to 4% for gas. Standing charges for gas increased up to April 2025 before falling in July 2025. Standing charges for electricity fell in April and July 2025, more than reversing earlier increases. The standing charges for both fuels increased in October 2025 and January 2026. Electricity standing charges will increase in April 2026, while those for gas will fall. The daily charge for electricity in April 2026 will still be lower than between April 2024 and March 2025. [10]

The taxpayer-funded support for PPM customers under the EPG finished at the end of March 2024. Ofgem has changed the cap methodology to continue the removal of the 'prepayment premium'. It has done this by adding a 'levelisation charge' to direct debit customers. This is to ensure that standing charges for prepayment meter customers are the same as for direct debit customers. It adds just over £10 (after VAT) a year to direct debit standing charges and funds a cut in standing charges for prepayment meter customers of around £52 a year.[11]

The tables at the end of this briefing give unit costs, standing charges and typical bills by region and payment method for the current and forthcoming price caps.

Electricity prices in Northern Ireland

Northern Ireland's largest electricity supplier, PowerNI, set unit prices for its cheapest standard electricity tariff of 24.9 p/kWh between November 2022 and March 2023. These were just over 9 p/kWh cheaper than under the average direct debit price cap in Great Britain.[12]

PowerNI increased prices by 14.1% in April 2023 and a further 5.1% in July 2023.[13] Despite this, prices (under this tariff) remained below those in Great Britain until October 2023 when the cut in the price cap took unit costs in Great Britain[14] to around 2.4 p/kWh below those in Northern Ireland. The increase in

9 DESNZ, Energy Price Guarantee (24 November 2023)
10 Ofgem, Energy price cap (default tariff) levels: 1 April 2026 to 30 June 2026 (Final levelised cap rates model (Annex 9)), 25 February 2026
11 Ofgem, Energy price cap levels 1 April to 30 June 2024. Final levelised cap rates model (Annex 9)
12 PowerNI, How are the EPG discounts applied to the price I pay? (accessed 23 February 2024)
13 PowerNI, Unit rates (accessed 2 June 2025)
14 For direct debit customers

the price cap in Great Britain at the start of 2024 reduced this difference to around 1.2 p/kWh.

PowerNI cut prices by 6.3% in April 2024.[15] The cheapest rate was reduced to 27.9 p/kWh or around 3.4 p/kWh above the average cap direct debit price in Great Britain at the time. The gap widened again in July 2024 when the cap in Great Britain was reduced. Following a further price increase in Northern Ireland in December 2024 and October 2025, and changes in electricity prices under the cap in Great Britain in, the gap is currently 2.5 p/kWh.[16]

How do these prices vary across Great Britain?

The January to March 2026 price cap translates to bills which are the equivalent of £1,758 for typical annual consumption for direct debit customers. This is an average for Great Britain and there are different regional caps which reflect differences in network costs across the country.

January to March 2026 prices under the cap for direct debit customers vary in the following ways (all prices include VAT):[17]

- Standing charges for gas vary slightly from 34.6 p/day in the Southern region to 35.6 p/day in London.
- Unit costs for gas varied from 5.8 p/kWh in the East Midlands and South East regions to 6.1 p/kWh in the South West and South Wales regions.
- Standing charges for electricity varied from 45.7 p/day in the Southern region to 71.0 p/day in the North Wales and Mersey region.
- Unit costs for electricity vary from 26.7 p/kWh in Yorkshire to 29.1 p/kWh in the North Wales and Mersey region.

The tables at the end of this briefing gives a full breakdown of regional maximum unit costs and standing charges under the price caps for January to March 2026 and April to June 2026 by region and payment method.

The appendix to this briefing gives detail of how the EPG worked for customers on fixed price tariffs and those on multi-register tariffs for electricity (such as Economy 7).

Standing charges

Maximum daily standing charges for customers on standard variable tariffs are set by Ofgem's price cap. Customers pay standing charges even if they use no energy. They are a fixed cost so take up a greater share of a household's bill if they use relatively little energy and *vice versa*. They make up 19% of a typical (pre-VAT) bill in January to March 2026, down from a recent peak of 22% in July to September 2024.

15 PowerNi, Residential pricing and Unit rates (accessed 25 February 2026)

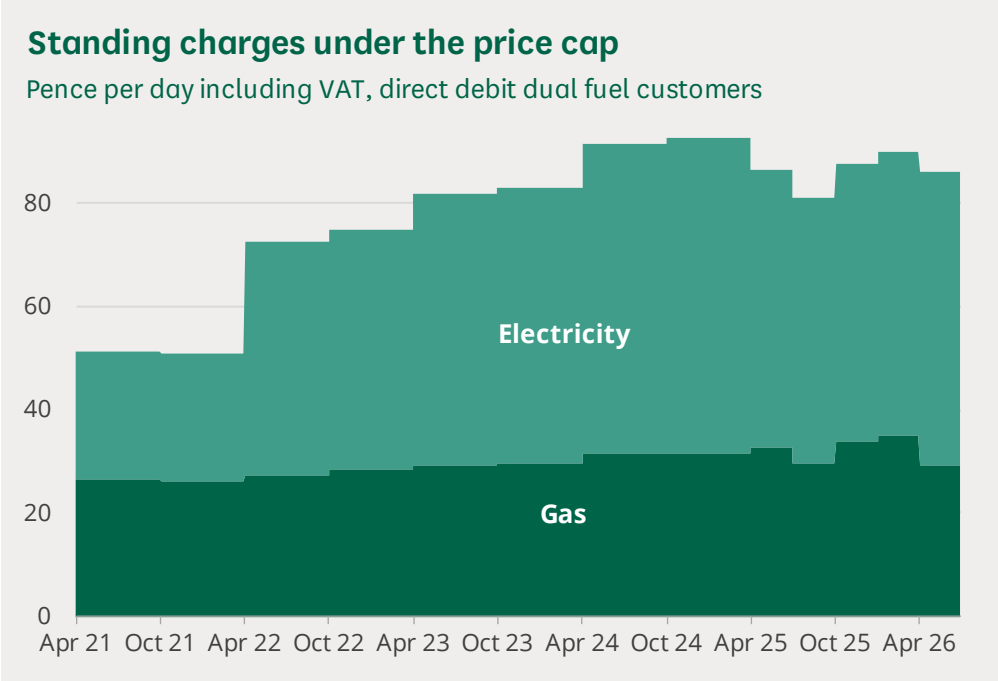
16 PowerNI, Unit rates (accessed 25 February 2026)

17 Ofgem, Energy price cap (default tariff) levels: 1 April 2026 to 30 June 2026 (Final levelised cap rates model (Annex 9)), 25 February 2026

The Library briefing Energy standing charges looks in more detail at these costs, how they have changed over time, what they consist of and at proposals for change.

Average standing charges for electricity under the current cap are 54.7 p/day for electricity (direct debit customers) compared with 35.1 p/day for gas.[18]

The following chart shows how standing charges have changed since 2021. They jumped by 42% in April 2022 largely due to the 'supplier of last resort' costs linked to the large number of small suppliers that went out of business in the previous six months. This cost element was added to standing charges for electricity, but is included within unit costs for gas. This element fell in April 2023, but overall standing charges still increased by 10% at the time. This was largely due to a change in cap methodology which shifted costs for the high-voltage transmission network from unit prices to standing charges for electricity.[19]



Source: Ofgem, Energy price cap (default tariff) levels: 1 April 2026 to 30 June 2026 (Final levelised cap rates model (Annex 9)), 25 February 2026

The 10% increase in standing charges in April 2024 was driven by higher network charges[20] for electricity, increases in allowances for supplier profit and, for direct debit customers, the new levelisation charge to fund lower standing charges for prepayment customers.[21]

18 Ofgem, Energy price cap (default tariff) levels: 1 April 2026 to 30 June 2026 (Final levelised cap rates model (Annex 9)), 25 February 2026

19 Ofgem, Default tariff cap level: 1 April 2023 to 30 June 2023 (Annex 3 - Network cost allowance methodology elec v1.13)

20 Largely due to an increase in the charge for use of the low voltage distribution network.

21 Ofgem, Energy price cap levels 1 April to 30 June 2024. Final levelised cap rates model (Annex 9) and Network cost allowance methodology electricity (Annex 3)

The average standing charge for electricity fell by 12% in April 2025 and a further 5% in July 2025. This was due to lower network and operating cost allowances. The average gas standing charge fell by 9% in July 2025 due to lower operating cost allowances.[22]

The increases in the standing charges for both fuels in October 2025 and January 2026 were largely due to the costs of the expanded Warm Home Discount scheme. Ofgem's decision to shift funding for the Warm Home Discount from standing charges to unit costs will lead to a 17% reduction in the standing charge for gas. However, it is more than outweighed by increased network costs for electricity which means these standing charges will increase by 4% in April 2026.[23]

1.2 Differences in gas and electricity price changes

Both gas and electricity prices have increased substantially since 2021. Prices of electricity generated by gas effectively set the wholesale price for all generation, so there is a close link between the price trends of the two fuels.

However, the increase in prices during the 'energy crisis' was larger for gas. Unit prices for gas under the direct debit price cap were 3.3 p/kWh in summer 2021, 7.4 p/kWh under the summer 2022 cap and peaked at 10.3 p/kWh under the EPG. The total increase over this period was 210%. They would have increased further to 17.1 p/kWh in the first quarter of 2023 without the EPG.

Unit prices for electricity under the direct debit price cap were 19.0 p/kWh in summer 2021, 28.3 p/kWh under the summer 2022 cap and peaked at 34.0 p/kWh under the EPG. This was a total increase of 80%. They would have been 67.5 p/kWh in the first quarter of 2023 without the EPG.[24]

The July to September 2023 unit prices under the cap were 27% lower for gas and 9% lower for electricity than under the EPG levels. Subsequent falls in unit prices have generally been larger for gas. The following chart shows that while gas prices have fallen at a faster rate since July 2023, the overall increase since summer 2021 has still been larger for gas.

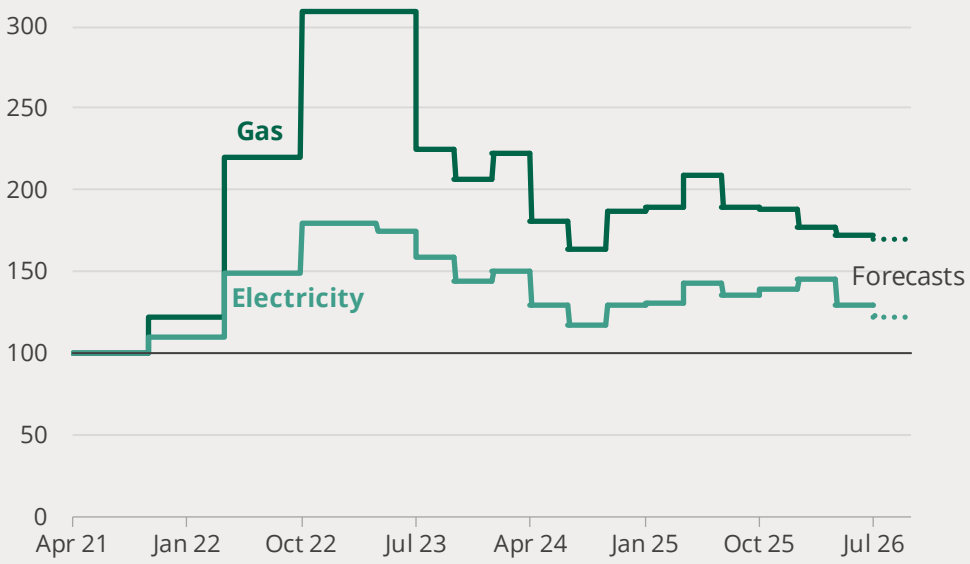
22 Ofgem, Energy price cap (default tariff): 1 October to 31 December 2025 (Final levelised cap rates model (Annex 9)), 27 August 2025

23 Ofgem, Energy price cap (default tariff) levels: 1 April 2026 to 30 June 2026 (Final levelised cap rates model (Annex 9)), 25 February 2026

24 Ofgem, Energy price cap (default tariff): 1 October to 31 December 2023 (Model - Default tariff cap level v1.19)

Much larger price rises for gas in 2021 and 2022

Index of average GB direct debit prices under the cap/EPG, summer 2021 =100



Sources: Ofgem, Energy price cap (default tariff) levels: 1 April 2026 to 30 June 2026 (Final levelised cap rates model (Annex 9)), 25 February 2026; Cornwall Insight, Predictions & Insights into the Default Tariff Cap (Price Cap), accessed 21 November 2025

The ratio of electricity to gas prices under the cap/EPG fell from 5.7:1[25] in summer 2021 to a low of 3.2:1 in Q2 2023. It has generally increased since then and will be 4.3:1 in April 2026.

The price ratio is an important element of the move to decarbonise heating. A lower ratio makes heating a home with a heat pump relatively less expensive than with a gas boiler and *vice versa*. The government aims is that by 2030 more than 450,000 heat pumps will be installed annually. This is more than five times the number installed in 2024.[26] The Climate Change Committee, the government's independent advisor on tackling climate change, has said that a ratio of below 3.4:1 ratio is needed to help incentivise heat pumps over gas boilers.[27]

In the 2021 Heat and buildings strategy the government set out an ambition to reduce the upfront costs of installing a heat pump by 25-50% by 2025 and for cost parity between owning and running a gas boiler and a heat pump by 2030. One possible measure set out in the strategy which would affect the price ratio was to "shift or rebalance energy levies and obligations over this decade".[28] Energy levies are currently higher on electricity.[29]

The 2026 Warm Homes Plan highlighted action taken by the government in Budget 2025 to cut policy costs from energy bills. These changes take effect

25 A kWh of electricity was 5.7 times the price of a kWh of gas.

26 DESNZ, Heat pump net zero investment roadmap (April 2023),

27 Climate Change Committee, 2023 Progress Report to Parliament (Figure 5.2)

28 DESNZ, Warm homes Plan (21 January 2026)

29 See pages 41-42 of the briefing Domestic Energy Prices for more details

from April 2026. There are two elements to this. Ending the Energy Company Obligation reduces policy costs from both gas and electricity bills. Shifting 75% of the cost of the Renewables Obligation to government from electricity consumers reduces this cost from electricity bills. These changes will contribute to reducing the ratio of electricity to gas prices under the cap from 4.7:1 (currently) to 4. 3:1 in April 2026. However, this would still be the second highest ration since winter 2021/22.

In the first half of 2025 the electricity to gas price ratio in the UK at 4.3:1 (on this measure) was well above the EU average of 2.5:1 and higher than in any EU member state.[30]

2 Prospects for prices

Wholesale prices are by far the biggest single element of the price cap. Increases in the wholesale price of gas and electricity in 2021 and 2022 drove the increases in the price cap in 2022 and 2023. There is a substantial lag before these feed through to consumers.

Lower and more stable wholesale prices caused the price cap to fall in 2023 and 2024 and have generally reduced the size of changes in caps since then. However, wholesale prices are still above their pre-'energy crisis' levels and the Q2 2026 cap will still be 35% higher than in winter 2021/22.

The cap is currently forecast to remain stable in June 2026.[31]

2.1 Trends in wholesale prices

Wholesale energy prices are the biggest single element in energy bills and the most volatile. Together with other elements of the wholesale cost allowance[32] they make up 41% of the Q1 2026 cap.[33] Changes in wholesale prices therefore largely dictate whether household bills go up or down.

30 Eurostat, Electricity price statistics & Natural gas price statistics; DESNZ, International domestic energy prices (Tables 5.6.2 & 5.10.2)

31 Cornwall Insight, Energy Bills Fall, but Forecasts Signal an End to Major Reductions in the Short Term (25 February 2026)

32 Mainly consisting of Contracts for Difference, the Capacity Market and losses for electricity and backwardation costs for gas and electricity.

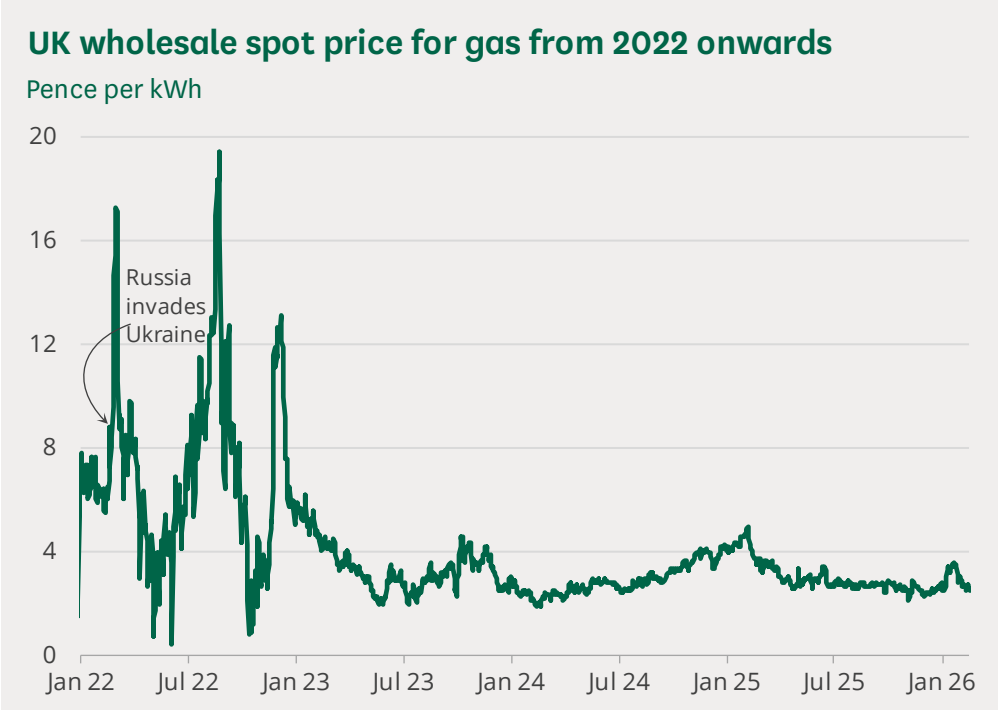
33 Ofgem, Energy price cap (default tariff) levels: 1 April 2026 to 30 June 2026 (Final levelised cap rates model (Annex 9)), 25 February 2026

Wholesale energy prices increased dramatically from mid-2021, both globally and in the UK. Gas led the price rise during the 'energy crisis', but electricity prices followed, as gas is typically the 'marginal fuel',[34] which means gas generation costs effectively set the wholesale price for electricity.[35]

Gas prices in Europe increased by 50% on 24 February 2022, the day Russia launched its full-scale invasion of Ukraine. Early March prices were around ten times their level from a year earlier.

Prices fell back in spring 2022 and increased for the whole of summer before falling again in autumn. There was a very sharp spike in early December 2022 before a return to lower prices. The Library briefing Domestic energy prices looks at wholesale price trends and their causes in more depth.

These broad trends can be seen in the following chart as well as the very high level of general volatility in prices.



Source: nationalgrid.com Prevailing View tool (system average price)

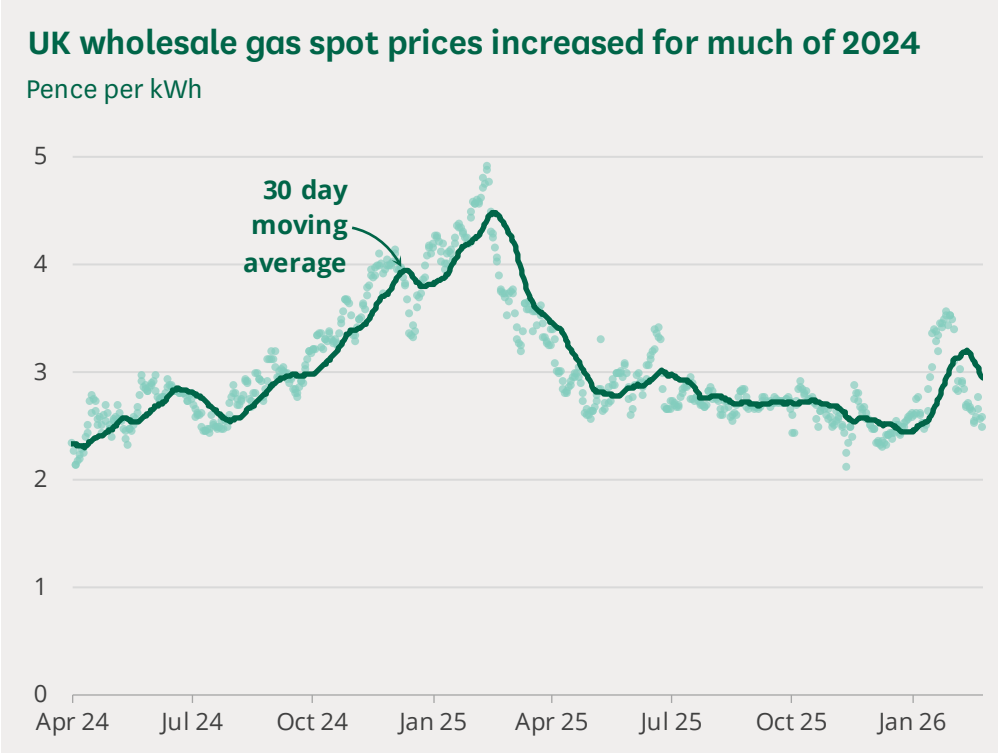
The period from mid-2023 onwards has been the least volatile since late spring 2021. However, there was a general increase in prices in the second half of 2024. Price fell in spring 2025 and have been broadly stable since then. The

[34] The fuel used for peak load generation which responds to short term changes in demand. See pages 58-59 of the briefing Introduction to the domestic energy market for more detail.

[35] Researchers at UCL estimated that gas set electricity prices 84% of the time in the UK in 2019. UCL news, Electricity prices dictated by gas producers who provide less than half of UK electricity (6 September 2022). This estimate was updated to 98% in 2021 (when gas prices were much higher). This rate was higher than any of the other eight European countries the researchers looked at. Behnam Zakeri, Iain Staffell et al, UCL Institute for Sustainable Resources. Series - *Navigating the Energy-Climate Crises* Working Paper #1, Energy Transitions in Europe – Role of Natural Gas in Electricity Prices in Europe (PDF) (13 January 2023).

price in mid-February 2026 was around 2.5p/kWh. The last time prices were below this level for a prolonged period of time was in July 2024.

Trends from early-2024 are shown in more detail in the next chart. The general increase in spot prices from March 2024 onwards is clearer in this chart. This was largely responsible for the increases in the price cap in the final quarter of 2024 and the first two quarters of 2025. The fall in early 2025 fed through to the cut in the cap in the third quarter of 2025.



Source: nationalgrid.com Prevailing View tool (system average price)

UK wholesale spot prices for electricity have followed a similar trend with spikes in March, August and December 2022. The average monthly price fell for much of 2023 and early 2024. Wholesale electricity prices generally increased from August 2024 to early 2025. In January 2025 they were 14p/kWh; their highest monthly level since February 2023. Prices have subsequently fallen to between 8p and 9p/kWh in the second half of 2025, with a noticeable increase to around 12p/kWh in January 2026.[36] As explained earlier, the cost of gas generation effectively sets the wholesale price for electricity, so price trends are similar at present.

[36] EMBER, European electricity prices and costs (accessed 25 February 2026)

There is a substantial time lag between when wholesale prices changes, rises and falls, feed through to the price cap

Daily spot prices on the wholesale market are highly volatile. To protect themselves from variations in prices, energy suppliers 'hedge' their energy purchasing through forward-looking contracts. This means that rather than buying gas or electricity on the spot market for immediate delivery and being exposed to whatever the price may be, suppliers access the market continually, buying some energy up to years in advance.

This 'hedging' means suppliers are less exposed to very short-term market fluctuations. Coupled with the price cap methodology, it also means there is a considerable time lag between changes in the spot price of gas and electricity and changes in consumer prices.

Ofgem analyses forward-looking energy contracts that suppliers purchase for gas and electricity. These feed through into the cap for the following period. For instance, the contracts which Ofgem looked at for the Q2 2026 cap were agreed between mid-August 2025 and mid-February 2026 for delivery in the year to December 2026.[37]

It is therefore longer-term changes in prices, averaged over three-month observation periods, which determine the level of prices which feed into the wholesale cost element of the cap. This lag means that when prices are rising the wholesale cost element of prices households pay under the cap will be below spot prices. This was the case for much of 2021 and 2022. When prices are falling, as they were in late 2022 and early 2023, the wholesale cost element will be above spot prices. The relative stability of prices since spring 2023 means that the wholesale cost element is similar to current spot prices. This pattern is illustrated in the series of charts in the summary of this paper.

2.2 Forecasts of the price cap

Changes to Typical Domestic Consumption Values (TDCVs)

From April 2020 to October 2023 Ofgem used 'typical' annual consumption values of 2,900 kWh for electricity and 12,000 kWh for gas in all its publication which gave data on annual bills and price cap annual equivalent levels. The EPG values of £2,500 was based on the same consumption levels. These are based on median consumption values.[38] The median is the value that half of consumers use less than, and half of customers use more than.

Ofgem introduced new lower values for typical consumption for all its relevant publications from October 2023. These are 11,500 kWh for gas and 2,700 kWh for electricity. The lower median values are based on data for 2019 and 2021, not the pandemic-affected data for 2020.[39]

37 Ofgem, Price cap - Decision on changes to the wholesale methodology (Figure 3.2)
38 Ofgem, Review of Typical Domestic Consumption Values 2019
39 Ofgem, Decision for Typical Domestic Consumption Values 2023 (25 May 2023)

Domestic energy consumption fell markedly in 2022 and continued to fall in 2023.[40] This means current levels of consumption are already below these new levels and well below those used in official data produced by DESNZ.

The choice of 'typical' consumption levels does not have a major impact on relative trends in bills (the 'shape' of a price trend in a chart) but will affect their absolute levels and any data on changes expressed in pounds per year.

Data in this section provides average bills using the current lower levels of typical consumption. It also gives unit costs as these are not affected by changes to assumed consumption levels.

Latest forecasts

The annual price cap is expected to remain broadly unchanged in Q3 2026

At the time of writing the latest forecasts for the price cap from energy consultancy Cornwall Insight were based on prices on 23 February2026. Their findings are summarised in the following table. They expect the annual level of the cap to increase by £4 (0.2%) in Q3 2026. This is largely due to higher standing charges for both fuels outweighing the forecast cut in electricity prices.

Price cap forecasts at 23 February 2026

	Actual value				Forecasts
	Q3 2025	Q4 2025	Q1 2026	Q2 2026	Q3 2026
Average bill for 'typical annual consumption' (£)					
Current TDCVs	1,720	1,755	1,758	1,641	1,645
Unit costs (p/kWh)					
Gas	6.3	6.3	5.9	5.7	5.7
Electricity	25.7	26.3	27.7	24.7	23.2
Standing charge (pence per day)					
Gas	30	34	35	29	36
Electricity	51	54	55	57	64

Current TDCVs =11,500 kWh for gas, 2,700 kWh for electricity

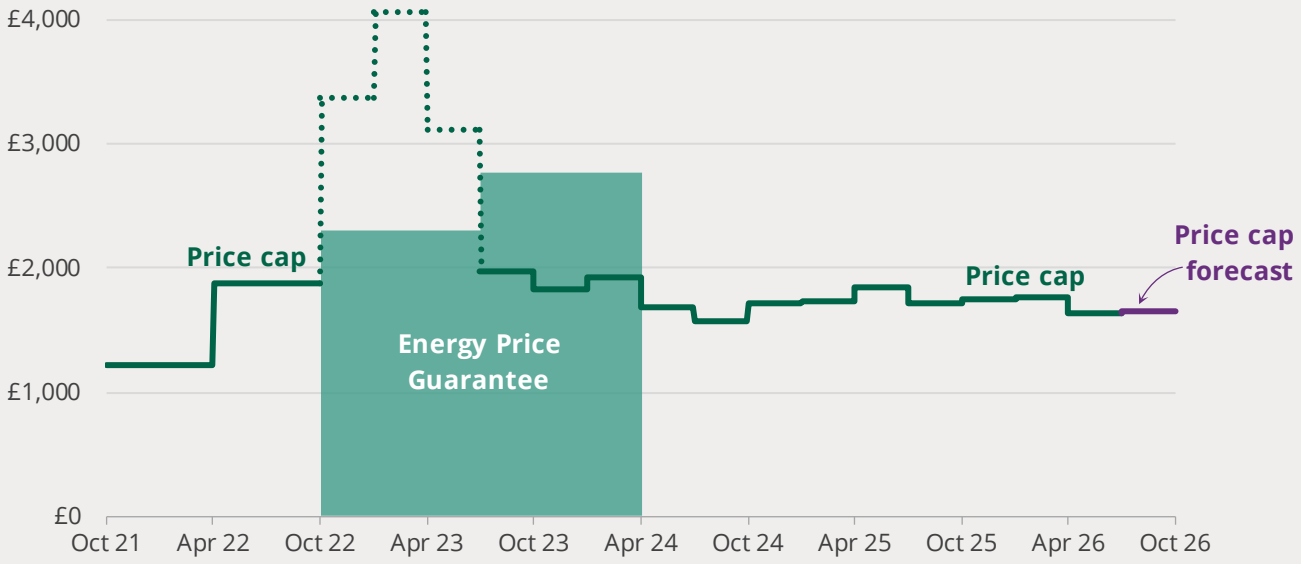
Source: Cornwall Insight, Predictions & Insights into the Default Tariff Cap, accessed 25 February 2026

The chart below plots these forecasts against the EPG level and earlier cap amounts. It uses the current TDCVs for the whole period for consistency.

[40] See section 1.3 of Gas and electricity prices under the Energy Price Guarantee and beyond

The EPG protected customers from extremely high prices in late 2022 and early 2023. The falls in the price cap from July 2023 have led to lower customer bills

Annual bill equivalent for new typical levels of consumption, direct debit dual fuel customers



Sources: Ofgem, Energy price cap (default tariff): 1 January 2026 to 31 March 2026 (Final levelised cap rates model (Annex 9)), 21 November 2025; Cornwall Insight, Energy Bills Fall, but Forecasts Signal an End to Major Reductions in the Short Term (25 February 2026)

It shows that the falls in the cap from July 2023 onwards took it to levels similar to those in summer 2022. Despite these falls the Q2 2025 price cap will still be 35%, or around £430 a year, above its winter 2021/22 level. This increase is larger than the general increase in consumer prices over this period which is forecast to be around 23%.[41]

Volatility in wholesale prices means that price cap forecasts are uncertain.

2.3 When will competition fully return to the energy market?

The price cap sets maximum prices only. Lower wholesale prices have led to some suppliers offering cheaper fixed deals below cap levels. This was common before prices started to increase from mid-2021. However, the experience of the last five years with rising prices, smaller suppliers going out of business, volatility of prices and major changes to regulation, changes to how the cap is set and support for households, any return to competition between suppliers for customers will to be tentative.

Ofgem stopped publishing data on the price of new fixed tariff prices in September 2022. They said that after the EPG was introduced "...suppliers

[41] Office for Budget Responsibility, Economic and fiscal outlook November 2025 (detailed forecast tables-economy 1.7)

have withdrawn fixed tariffs from sale to new customers and adjusted prices only for existing (but not for sale) fixed tariffs."[42] Ofgem started publishing fixed tariff price data again from late June 2023. Although, as they explained at the time, these were not offered to all households:[43]

> Ahead of the entry into effect of the new lower price cap level from 1 July 2023, which superseded the Energy Price Guarantee, some suppliers started issuing new fixed tariffs. These were generally available to existing customers only and had limited publicity, with some exceptions. In June 2023 Utility Warehouse offered a new fixed tariff as part of a bundle with other services, priced at £1,975 and available to all customers.

In December 2025 the average fixed price tariff (for typical annual consumption) was £1,640, or £120 below the average price cap for direct debit customers at the time. This reflected suppliers' views above future levels of wholesale prices and the price cap. The cheapest tariff on the market was £1,492 which was around £170 below the October to December 2025 cap.[44]

Early in 2023 Cornwall Insight said that there had been no incentive for customer to switch suppliers over the previous year due to rising wholesale prices, the price cap and, latterly, the EPG. They estimated that around 5.5 million switches (between suppliers) that might have been expected did not occur. This pent-up demand could respond when suppliers start offering prices below the price cap/EPG.[45] In May 2023 they said:[46]

> If wholesale prices remain less volatile, it is thought an increasing number of energy suppliers could be prompted to introduce fixed-rate tariffs aligned with or close to the price cap, as they become less apprehensive about the possibility of a sudden surge in energy prices.

Ofgem said that the number of new fixed tariffs on the market increased in December 2025. 79% of these tariffs were open to the whole market, not just existing customers.[47]

The latest data on switching is for December 2025 when the total number of customers switching tariffs was down by 18% on the previous month. There is normally a seasonal pattern to switching numbers. The latest total was 8% higher than in the same month one year earlier and almost three times the number from the same month three years earlier. The number of customers switching is still well below pre-'energy crisis' levels; the December 2025 figure was 53% below the August 2020 total.[48]

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42 Ofgem, Retail price comparison by company and tariff type: Domestic (GB)

43 Ofgem, Retail price comparison by company and tariff type: Domestic (GB) (July 2023 update)

44 Ofgem, Retail price comparison by company and tariff type: Domestic (GB) (December 2025 update)

45 Cornwall Insight, Millions of households could switch their energy supplier in second half of 2023 (15 February 2023)

46 Cornwall Insight, Cheaper fixed rate energy tariffs could return as price cap predictions stabilise (9 May 2023)

47 Ofgem, Prices and profits (December 2025 update)

48 Ofgem, Retail Market indicators (Number of domestic customers switching supplier by fuel type (GB))

3 Prices under the latest energy price cap

Standing charges, unit costs and annual bills under the energy price cap (January to March 2026) by energy supply region

Including VAT

	Standing charge (pence per day)			Unit cost (pence per kWh)			Annual bill for typical consumption (£ per year)		
	Direct debit	Standard credit	PPM	Direct debit	Standard credit	PPM	Direct debit	Standard credit	PPM
Electricity -single rate meter									
Eastern	49.3	57.7	49.3	27.9	29.4	27.0	933	1,005	910
East Midlands	50.2	58.3	50.2	26.9	28.4	26.1	909	979	887
London	47.1	54.3	47.1	27.0	28.5	26.2	901	968	879
N Wales & Mersey	71.0	79.7	71.0	29.1	30.7	28.2	1,045	1,120	1,021
Midlands	54.1	62.2	54.1	27.0	28.5	26.2	926	996	904
Northern	60.9	69.5	60.9	26.7	28.2	25.9	945	1,016	922
North West	52.2	60.2	52.2	28.4	30.0	27.6	959	1,030	935
Southern	45.7	53.9	45.7	27.8	29.4	27.0	918	990	895
South East	48.7	57.1	48.7	28.3	29.8	27.4	941	1,014	917
South Wales	52.8	60.6	52.8	28.2	29.7	27.3	953	1,024	930
Southern Western	55.1	63.7	55.1	28.2	29.7	27.3	961	1,035	938
Yorkshire	59.7	68.2	59.7	26.7	28.2	25.9	939	1,009	916
Southern Scotland	57.6	65.6	57.6	27.2	28.7	26.3	944	1,014	922
Northern Scotland	62.1	70.5	62.1	28.4	29.9	27.5	992	1,066	969
GB average	**54.7**	**63.0**	**54.7**	**27.7**	**29.2**	**26.8**	**948**	**1,019**	**925**
Gas									
Eastern	34.7	42.9	34.7	5.9	6.2	5.7	801	867	782
East Midlands	34.8	42.9	34.8	5.8	6.1	5.6	793	858	767
London	35.6	42.9	35.6	6.0	6.3	5.8	823	887	801
N Wales & Mersey	35.5	42.9	35.5	5.9	6.3	5.7	813	876	785
Midlands	35.1	42.9	35.1	5.9	6.2	5.6	801	865	776
Northern	35.2	42.9	35.2	5.9	6.2	5.7	811	875	789
North West	35.2	42.9	35.2	5.9	6.2	5.7	807	871	779
Southern	34.6	42.9	34.6	6.0	6.3	5.8	816	883	796
South East	34.7	42.9	34.7	5.8	6.1	5.6	797	862	773
South Wales	35.4	42.9	35.4	6.1	6.4	5.9	831	896	804
Southern Western	34.7	42.9	34.7	6.1	6.5	6.0	834	901	813
Yorkshire	35.2	42.9	35.2	5.9	6.2	5.7	807	871	782
Southern Scotland	35.3	42.9	35.3	5.9	6.2	5.7	806	870	779
Northern Scotland	35.3	42.9	35.3	5.9	6.2	5.7	806	870	779
GB average	**35.1**	**42.9**	**35.1**	**5.9**	**6.2**	**5.7**	**810**	**875**	**786**

Notes:

PPM = Prepayment meter

Typical consumption is assumed to be 2,700 kWh for electricity and 11,500 kWh for gas

Source: Ofgem, Energy price cap (default tariff) levels: 1 April 2026 to 30 June 2026 (Final levelised cap rates model (Annex 9)), 25 February 2026

Standing charges, unit costs and annual bills under the energy price cap (April to June 2026) by energy supply region

Including VAT

	Standing charge (pence per day)			Unit cost (pence per kWh)			Annual bill for typical consumption (£ per year)		
	Direct debit	Standard credit	PPM	Direct debit	Standard credit	PPM	Direct debit	Standard credit	PPM
Electricity -single rate meter									
Eastern	53.9	62.7	53.9	24.9	26.3	24.2	870	940	850
East Midlands	53.6	62.1	53.6	23.7	25.0	23.0	835	902	816
London	44.8	52.1	44.8	24.9	26.3	24.1	836	900	815
N Wales & Mersey	70.8	79.6	70.8	26.2	27.7	25.4	966	1,037	944
Midlands	59.7	68.4	59.7	23.9	25.2	23.2	863	931	844
Northern	64.3	73.2	64.3	23.8	25.1	23.1	878	946	858
North West	47.6	55.5	47.6	24.7	26.1	24.0	841	907	821
Southern	49.7	58.3	49.7	25.0	26.4	24.2	856	925	836
South East	54.4	63.3	54.4	25.2	26.6	24.5	880	950	859
South Wales	57.9	66.2	57.9	24.9	26.3	24.1	884	951	863
Southern Western	57.9	66.8	57.9	25.0	26.4	24.2	885	956	865
Yorkshire	64.4	73.3	64.4	23.8	25.2	23.1	879	947	860
Southern Scotland	64.2	72.8	64.2	24.4	25.8	23.7	893	961	873
Northern Scotland	57.6	65.9	57.6	25.0	26.4	24.3	886	954	865
GB average	**57.2**	**65.7**	**57.2**	**24.7**	**26.0**	**23.9**	**875**	**943**	**855**
Gas									
Eastern	28.7	36.7	28.7	5.7	6.0	5.5	757	821	739
East Midlands	28.8	36.7	28.8	5.6	5.9	5.4	749	812	723
London	29.6	36.7	29.6	5.9	6.2	5.7	788	850	767
N Wales & Mersey	29.5	36.7	29.5	5.7	6.0	5.4	762	823	734
Midlands	29.1	36.7	29.1	5.7	6.0	5.5	760	823	735
Northern	29.2	36.7	29.2	5.7	6.0	5.5	761	824	741
North West	29.2	36.7	29.2	5.7	6.0	5.4	757	818	729
Southern	28.6	36.7	28.6	5.9	6.3	5.8	787	853	768
South East	28.7	36.7	28.7	5.8	6.1	5.6	772	837	748
South Wales	29.4	36.7	29.4	5.8	6.1	5.6	778	841	752
Southern Western	28.7	36.7	28.7	5.9	6.2	5.7	782	847	763
Yorkshire	29.2	36.7	29.2	5.7	6.0	5.5	760	822	735
Southern Scotland	29.3	36.7	29.3	5.6	5.9	5.4	756	818	729
Northern Scotland	29.3	36.7	29.3	5.6	5.9	5.4	756	818	729
GB average	**29.1**	**36.7**	**29.1**	**5.7**	**6.0**	**5.5**	**766**	**829**	**742**

Notes:

PPM = Prepayment meter

Typical consumption is assumed to be 2,700 kWh for electricity and 11,500 kWh for gas

Source: Ofgem, Energy price cap (default tariff) levels: 1 April 2026 to 30 June 2026 (Final levelised cap rates model (Annex 9)), 25 February 2026

Appendix: The Energy Price Guarantee

What was the Energy Price Guarantee?

The Energy Price Guarantee (EPG) was introduced in October 2022 to reduce price increases for domestic customers. Under the scheme, the government sets maximum prices for gas and electricity and compensates energy suppliers for providing gas and electricity at below cost prices.

Before the EPG, maximum prices for customers on standard variable tariffs were controlled by the price cap. The level of the cap is set by the regulator Ofgem at a level which is intended to allow energy suppliers to cover their costs and make a 2% profit. Rapid increases in wholesale energy prices from mid-2021 onwards led to a 54% increase in the price cap in April 2022[49] and it was due to increase by a further 80% in October 2022.[50]

Following concerns over expected price rises, then Prime Minister Liz Truss announced on 8 September 2022 that an new Energy Price Guarantee would be introduced from that October.[51] The level of the EPG was lower than Ofgem's cap for October-December 2022, but was still 27% higher than the summer 2022 cap.

The EPG was the main measure used by the government to reduce the impact of the 'energy crisis' on consumers. It set maximum levels for unit costs of gas and electricity. Daily standing charges caps were taken from Ofgem's price cap. The EPG level was normally expressed as an annual figure, as with the price cap. This was £2,500 from October 2023 to March 2023, increasing to £3,000 from April 2023 to March 2024. These levels were based on the old (higher) assumptions about typical energy use. The £2,500 figure is equivalent to £2,380 with the current (lower) assumed consumption levels. It is not possible to calculate the equivalent for the £3,000 EPG level as this was never implemented.

The £2,500/£3,000 figures were the annual bill that dual fuel (gas and electricity) direct debit customers with typical consumption levels from the time would face if these prices remained constant across a year. As with the price cap it was an illustrative amount. Annual bills were not capped. Households which used more energy paid more, those which used less will paid less.

49 Ofgem, Price cap to increase by £693 from April (3 February 2022)

50 Ofgem, Ofgem updates price cap level and tightens up rules on suppliers (26 August 2022)

51 BEIS, Government announces Energy Price Guarantee for families and businesses while urgently taking action to reform broken energy market (8 September 2022)

As under the price cap, the EPG set different unit prices for the different energy supply regions and different payment methods.

The EPG was originally planned to last for two years and remain at the same level of £2,500. After a change of Prime Minister and Chancellor, the new Chancellor announced on 17 October 2022 that the Energy Price Guarantee would now only last sixth months, ending at the end of March 2023. The Chancellor's statement said:

> ...the Prime Minister and the Chancellor have agreed that it would be irresponsible for the government to continue exposing the finances to unlimited volatility in international gas prices. [52]

However, in the November Autumn Statement 2022, the Chancellor said the EPG would last for a further year from April 2023, but would increase from this date from £2,500 to £3,000 for 'typical' annual consumption. This higher price level was planned to last to the end of March 2024. At the time it was expected to save the government £14 billion compared to keeping the EPG at £2,500 for the whole of 2023/24. [53]

Prices under the October 2022 to March 2023 EPG were around 27% higher than the summer 2022 price cap. This increase was softened by the £400 Energy Bill Support Scheme (EBSS) payment which was paid in six separate monthly instalments from October 2022 to March 2023. This meant that while there was no increase in the EPG in April 2023, the ending of the EBSS could make it seem to some consumers that prices had increased.

On the morning of Budget 2023 the Chancellor announced that the EPG would remain at £2,500 for an additional three months to the end of June 2023. It would then increase as planned to £3,000 from July 2023 to March 2024.[54]

The decision to keep the EPG at £2,500 for a further three months from April 2023 cost the government an estimated £2.6 billion, taking the overall estimated cost of the scheme from £26.8 billion to £29.4 billion.[55]

The fall in the price cap in Q2 2023 only benefitted the government/taxpayer as it meant the costs of the EPG were lower than forecast. The fall in the cap in Q3 2023 to below EPG levels meant that consumer bills fell for the first time in almost three years and the EPG was no longer be a cost to government.

3.1 How did the EPG work with the price cap?

The price cap was introduced across all payment types in January 2019. Its original aim was to protect customers who remained on suppliers' standard variable tariffs and did not shop around for cheaper deals. It is set by Ofgem

52 HM treasury, Chancellor brings forward further Medium-Term Fiscal Plan measures (17 October 2022)
53 HM Treasury, Autumn Statement 2022, 17 November 2022
54 HM Treasury, Energy bills support extended for an extra three months (15 March 2023)
55 Cornwall Insight, Cornwall Insight responds to the government's announcement on the EPG (15 March 2023)

at a level that allows suppliers to recoup their 'efficient costs', ie. an efficient supplier should be able to cover their costs and make a modest profit at price The rapid increase in wholesale prices from mid-2021 onwards strained the existing six-month price cap model and the wider price system of competition and regulation in the energy market.

Suppliers removed cheaper deals from the market, more households moved on to standard variable tariffs (covered by the cap) when their existing fixed deals ended and the number of customers switching suppliers fell dramatically.[56]The price cap provided protection for almost all customers, which was not its original aim. Many smaller suppliers went out of business.

Ofgem introduced reforms to the cap in August 2022 which included moving to a shorter three-month (quarterly) price cap period. The Library briefing Energy bills and the price cap gives more details on these changes and background to the cap.

The summer 2022 price cap was set at £1,877 for dual fuel direct debit customers with typical annual consumption. [57] The Q4 (October-December) 2022 price cap was £3,371.[58] The government announced the EPG soon after this cap was announced. It was set at a lower level than the Q4 cap, £2,380 for typical annual consumption.[59] Customers did not pay prices implied by the (Ofgem) price cap when they were above those of the EPG.

Ofgem still updated the price cap every three months during the period the EPG applied. Standing charges under the EPG are based on those set out in these price caps. The government has said "...the default tariff cap which Ofgem operates plays a key role in delivering the EPG." The cap was used by the government to set the level of support it needs to provide to suppliers so they can cover their costs and provide discounted EPG prices to consumers. The Energy Prices Act 2022 added a new duty for Ofgem to consider the impact on public spending of any methodological changes to the cap.[60]

The January to March 2023 cap increased to £4,059. It fell to £3,116 in April to June 2023.[61] As these were both higher than the EPG level, they did not affect consumer prices, only the amount of support paid by government to energy suppliers.

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56 The number switching in September 2022 was 88% less than in March 2021. BEIS, Quarterly domestic energy switching statistics

57 This figure and the others in this section use the new assumptions about typical consumption which are lower than those used to illustrate cap/EPG values at the time.

58 Ofgem, Energy price cap (default tariff): 1 January to 31 March 2024, Model - Default tariff cap level v1.20, (23 November 2023)

59 The £2,380 is figure is calculated using current (lower) typical annual consumption figures. A figure of £2,500 was used at the time which was calculated using earlier (higher) consumption levels.

60 Ofgem, Price cap - Letter from BEIS on the cap's role in delivering the Energy Price Guarantee (EPG), 24 November 2022

61 Ofgem, Energy price cap (default tariff): 1 January to 31 March 2024, Model - Default tariff cap level v1.20, (23 November 2023)

The fall in the cap to £1,976 for Q3 (July-September) 2023 meant that maximum prices would be set by the cap again for this period. The fall to £1,834 in the Q4 2023 and the planned increase to £1,928[62] meant that the EPG was not needed to set maximum prices again and it ended in March 2024.

The following chart illustrates the difference between price cap and EPG levels. The Q4 2025 cap will be announced by 27 August 2025.

How did The EPG operate in Northern Ireland?

The energy market is different in Northern Ireland to the rest of the UK. Only around one third of households use gas for heating, either on its own or in conjunction with other fuels.[63] The government announced its plans to support households in Northern Ireland on 21 September 2022.[64] This included support equivalent to the Energy Price Guarantee with the following discounts to unit prices:[65]

- Q4 2022; up to 19.9 p/kWh discount for electricity and 4.8 p/kWh for gas.
- Q1 2023; up to 13.6 p/kWh discount for electricity and 3.9 p/kWh for gas.
- Q2 2023; up to 3.8 p/kWh discount for electricity and 2.6 p/kWh for gas.

These discounts were introduced in November bills and backdated to October. The government said the typical household bill for those using gas and electricity will be the annual equivalent of £1,950[66] between November 2022 and March 2023.

More details can be found in How the Energy Price Guarantee and Energy Bills Support Scheme will be applied to energy bills in Northern Ireland. All households in Northern Ireland also received a one-off £600 payment to help with energy bills in winter 2022/23. This was made up of the £400 Energy Bills Support Scheme plus the £200 Alternative Fuel Payment.[67]

Support under the EPG for customers on fixed price tariffs

Many suppliers withdrew their cheaper fixed price tariffs from the market when wholesale prices started to increase. This led to a fall in the number of customers on fixed tariffs. According to Ofgem, the price cap covered around 15 million domestic customers in August 2021.[68] The remaining 13 million were

62 Ofgem, Energy price cap (default tariff): 1 January to 31 March 2024, Model - Default tariff cap level v1.20, (23 November 2023)

63 NISRA, Census 2021. Main statistics for Northern Ireland. Statistical bulletin, Household spaces and accommodation, 15 December 2022 (PDF)

64 BEIS, Energy bills support factsheet (Updated 21 September 2022)

65 BEIS, Energy bills support factsheet (Updated 26 May 2023)

66 Based on the old (higher) assumptions about typical annual consumption

67 BEIS, Getting household energy bill support in Northern Ireland (Updated 30 December 2022)

68 Ofgem, Record gas prices drive up price cap by £139 – customers encouraged to contact supplier for support and switch to better deal if possible (4 August 2021)

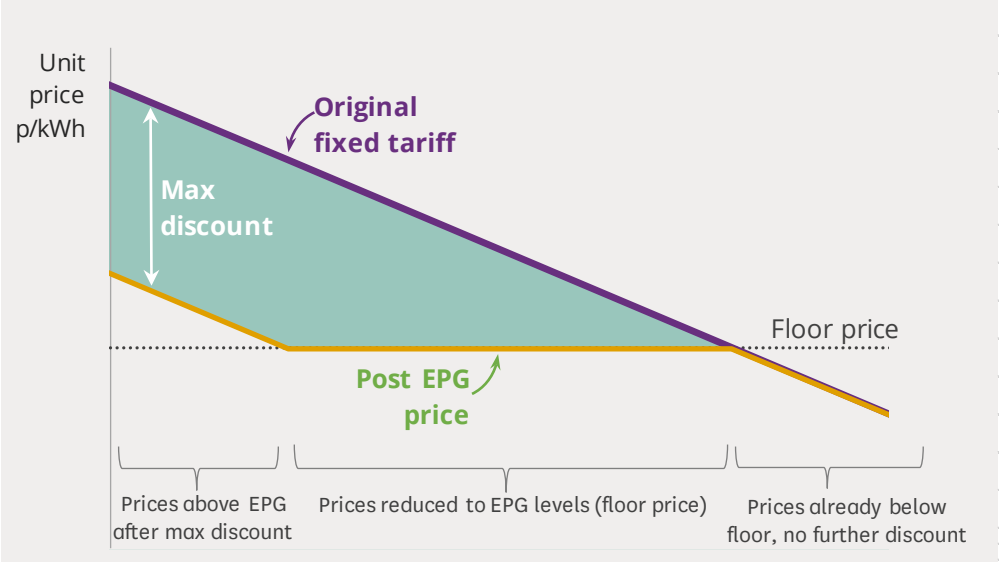
on fixed tariffs. In July 2023 around 29 million households were protected by the cap, with around 3 million households still on fixed tariffs.[69]

October 2022 to June 2023

For the time that the EPG was below the price cap (and protected customers on standard variable tariffs) there was also support for some customers on fixed tariffs. The maximum discounts on unit prices were:[70]

- October-December 2022: up to 17.0 p/kWh for electricity, up to 4.2 p/kWh for gas
- January-March 2023: up to 31.8 p/kWh for electricity, up to 6.4 p/kWh for gas.
- April-June 2023: up to 16.6 p/kWh for electricity, up to 2.2 p/kWh for gas.

These discounts were applied to bring fixed tariff prices down to, but not below, the EPG levels in this period. These were the 'floor' EPG unit prices of 34.0 p/kWh for electricity and 10.3 p/kWh for gas. The diagram on the next page shows how these discounts worked.



The discounts meant:

- Customers on fixed tariffs below the floor prices received no reduction in prices. They were already paying below the EPG level for the remainder of their fixed term.
- Customers on fixed tariffs above the EPG level, but below the original cap level would see their unit costs cut to the 'floor' level which would bring their bills in line with the EPG.
- Customers on very high fixed tariffs would see their unit costs cut by the maximum amounts, but this would still leave them paying more than the EPG level for the rest of the time they stay on that fixed rate. The government said that "Any transfer to a different tariff is a matter for suppliers."[71]

69 Ofgem, Energy prices to fall again this winter (25 August 2023)
70 BEIS, Energy bills support factsheet (Updated 15 March 2023)
71 BEIS, Energy bills support factsheet (Updated 15 March 2023)

As the price cap is now below the EPG level there is no longer any support under the EPG for customers on fixed tariffs.

Support under the EPG for customers on multi-register tariffs for electricity

The data on the rest of this briefing covers households on a single-rate tariff for electricity. They pay a set amount per unit which does not vary during the day. Customers on multi-register tariffs pay different unit costs at different times of the day. For instance, those on an Economy 7 tariff pay a higher rate for electricity during the day, but a lower rate during seven hours at night. These customers are covered by the EPG.

The government EPG guidance for October to December 2022 said:[72]

> Note that for customers on multi-register tariffs such as Economy 7, suppliers have flexibility to apply slightly different discounts to the individual rates within the tariff, helping to balance-out the reduction of more expensive day rates with cheaper night-time electricity rates. Each supplier will approach this differently.

The January to March 2023 guidance said that multi-register customers may face higher price rises as Ofgem's assessment of the costs of supplying these customers has increased more than those on single-rate tariffs.[73]

Suppliers therefore had some freedom to set and change these different rates under the cap and EPG. This has reportedly led to customers seeing their bills increase despite no change to the headline EPG levels of support.[74]

The guidance for April to June 2023 changed to reduce the flexibility in how suppliers can apply the EPG discount. It said:[75]

> ...suppliers must apply the full discount to the individual rates within the tariff unless they have specific agreement from the Department for Energy Security and Net Zero.

These customers will have reverted to tariffs controlled by the price cap in July 2023.

72 BEIS, Energy Price Guarantee: regional rates, October to December 2022

73 BEIS, Energy Price Guarantee: regional rates, January to March 2023

74 BBC News, Energy bills rise for 2.5 million homes on Economy 7 (20 January 2023)

75 BEIS, Energy Price Guarantee: regional rates, April to June 2023v (Updated 15 March 2023)

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