



Making a positive difference
for energy consumers

To all market participants and
interested parties

Email: retailpriceregulation@ofgem.gov.uk

Date: 21 November, 2025

Energy price cap (default tariff) update from 1 January 2026

Dear colleagues,

Today we have published the updated cap levels for charge restriction period (“cap period”) 15b, covering the three months from 1 January to 31 March 2026.¹ Alongside the cap levels we have also published the updated versions of the cost allowance models. All figures in this letter reflect the latest (2023) Typical Domestic Consumption Values (TDCV) at medium consumption.

We are obliged to update the price cap level at intervals by applying updated inputs for items such as wholesale costs to the price cap formulae which have been determined by our previous decisions. That is what we have done today. In updating the price cap in this way, we are not making a policy decision or exercising a judgment.

Alongside the cap levels, we are also publishing a number of decision documents covering:

- [**Nuclear Regulated Asset Base \(RAB\)**](#)
- [**Benchmark consumption review**](#)
- [**Group correction factors**](#)
- [**Backwardation deadband**](#)
- [**Proposed changes to the Warm Home Discount Scheme cost allowance**](#)

¹ The data used in this document is not intended for use as an index by reference to which the amount payable under a financial instrument or a financial contract, or the value of a financial instrument, is determined, or as an index that is used to measure the performance of an investment fund with the purpose of tracking the return of such index or of defining the asset allocation of a portfolio or of computing the performance fees. Such outputs may not be used as a benchmark with the meaning of the EU Benchmark Regulation (Regulation (EU) 2016/1011 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds) Regulation, UK Benchmark Regulation or otherwise.

Summary of changes to the energy price cap by payment method and meter type

Cap level	October to December 2025	January to March 2026	Change (£)	Change (%)
Direct Debit	£1,755	£1,758	£3	0.2%
Standard Credit	£1,890	£1,894	£4	0.2%
PPM	£1,707	£1,711	£4	0.2%
Economy 7 (Direct Debit)	£1,179	£1,229	£51	4.3%

All bill values presented in this document are calculated using the current Typical Domestic Consumption Values (TDCVs) at medium consumption, 2,700kWh for electricity, 11,500 kWh for gas and 3,900 kWh for multi-register meters, such as Economy 7 customers. All values are rounded to the nearest £ or %.

Direct Debit level - The level of the Direct Debit price cap, for cap period 15b (1 January to 31 March 2026) will increase from £1,755 to £1,758 for a typical customer. This represents an increase of £3 (0.2%) compared to the previous level for cap period 15a (1 October to 31 December 2025).

For electricity only customers on Economy 7 meters, the Direct Debit cap level will increase from £1,179 to £1,229 which is an increase of £51 (4%) compared to the previous level. This is due to numerous factors including electricity wholesale price movements and the introduction of the Nuclear Regulated Asset Base (nRAB) allowance (as this falls on the electricity unit rate).

Standard Credit level – The level of the standard credit price cap, for cap period 15b (1 January to 31 March 2026) will also increase from £1,890 to £1,894, a £4 (0.2%) increase compared to the previous level for cap period 15a (1 October to 31 December 2025). Customers who pay by standard credit (cash or cheque) will pay an additional £136 compared to those who pay by Direct Debit. Standard credit is the most expensive payment method option under the price cap.

For electricity only customers on Economy 7 meters, the standard credit cap level will increase from £1,262 to £1,316 which is an increase of £54 (4%) compared to the previous level. This is an additional £87 compared to those customers on Economy 7 meters paying by Direct Debit.

PPM level – The level of the PPM price cap, for cap period 15b (1 January to 31 March 2026) will also increase from £1,707 to £1,711, a £4 (0.2%) increase compared to the previous level for cap period 15a (1 October to 31 December 2025). The PPM cap level will be £47 lower compared to Direct Debit cap level.

For electricity only customers on Economy 7 meters, the PPM cap level will increase from £1,149 to £1,198 which is an increase of £49 (4%) compared to the previous level. This is £32 less than those customers on Economy 7 meters paying by Direct Debit.

You can get a further breakdown by payment type of the cost components which make up the price cap in the attached appendices. More details on the energy price cap can be found at [get energy price cap standing charges and unit rates by region](#) on the Ofgem website.

What's driving the changes to the January – March 2026 cap level?

The main factors which have produced the change in the cap level are updates in the model inputs for:

- **Wholesale costs:** The wholesale cost allowance has decreased by £29 (4%), from £720 to £690. Wholesale prices observed during the relevant period have decreased compared with the previous price cap period due to a number of reasons. Great Britain's wholesale gas prices remain highly influenced by global markets. Over the past three months, wholesale gas prices have declined driven by supply side factors. Europe has continued to receive strong Liquid Natural Gas (LNG) flows, supported by increased global LNG production (particularly from the US) and subdued Asian demand. This has enabled Europe to meet the EU's minimum storage targets for winter, potentially reducing forward price risks. Whilst generally power prices track movements in gas prices, the fall in gas prices is likely to have been offset by an increase in carbon prices, resulting in minimal overall change in power prices.
- **Policy Costs:** The policy cost allowance has increased by £21 (10%) from £215 to £236 per year for a typical consumer. This has been driven by the introduction of an allowance for the Nuclear Regulated Asset Base (nRAB) scheme (£14) and the reprofiling of the Warm Home Discount (£7) allowance.
- **Operating, debt and industry costs:** The Benchmark Review will add another £9 to the cap level and therefore, operating costs in aggregate will increase by £9 from £270 to £279 from 1 January 2026.

Compliance with the price caps

We expect suppliers to take seriously their obligations and comply with business-as-usual practices in line with Standard Licence Conditions. Ofgem will be closely monitoring supplier compliance and will continue to take firm action against suppliers who fall short of their requirements.

We expect any related data provided to Ofgem to be accurate, complete and provided in a timely manner. We will also continue to monitor the quality of service suppliers deliver to their customers and stand ready to take compliance and enforcement action in the event that any licence requirements or contract terms are not met.

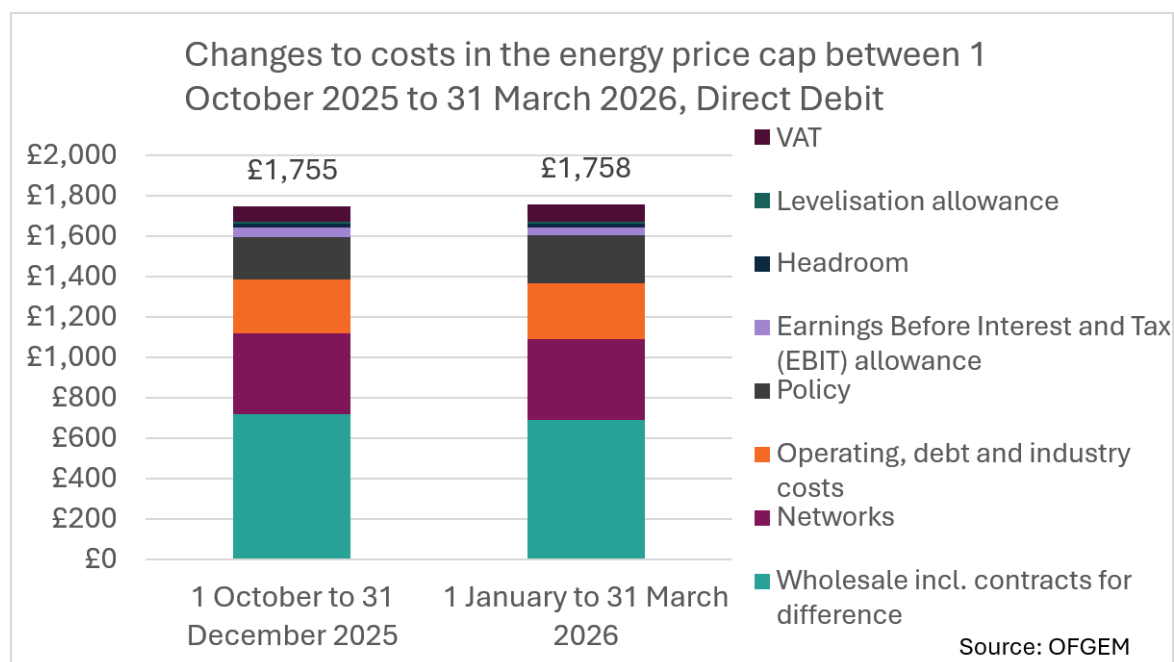
Yours faithfully,

Daniel Newport

Deputy Director, Price Cap

Annexes

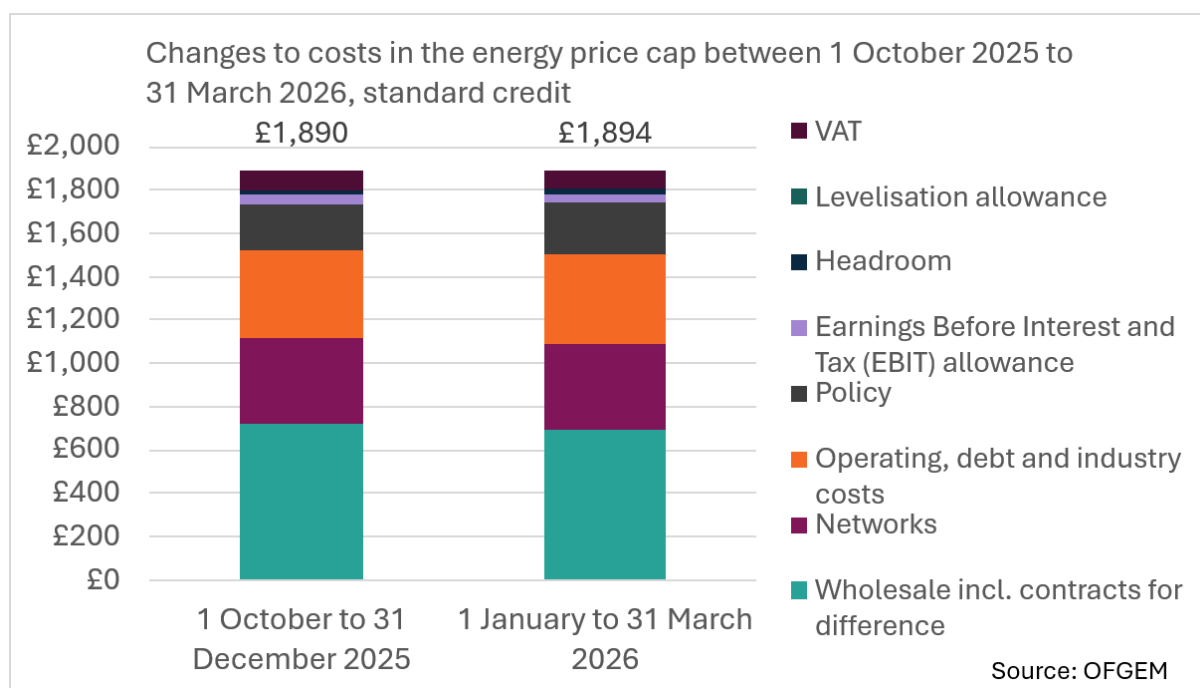
Annex 1 - Direct Debit Price Cap Cost Breakdown



Cost	October to December 2025	January to March 2026	Change (£)	Change (%)
Wholesale incl. contracts for difference	£720	£690	-£29	-4%
Networks	£396	£397	£0.83	0%
Operating, debt and industry costs	£270	£279	£9	3%
Policy	£215	£236	£21	10%
Earnings Before Interest and Tax (EBIT) allowance	£42	£44	£1.51	4%
Headroom	£18	£18	£0	0%
Levelisation allowance	£10	£10	£0	0%
VAT	£84	£84	£0	0%
Total	£1,755	£1,758	£3	0%

Figures may not sum to total due to rounding.

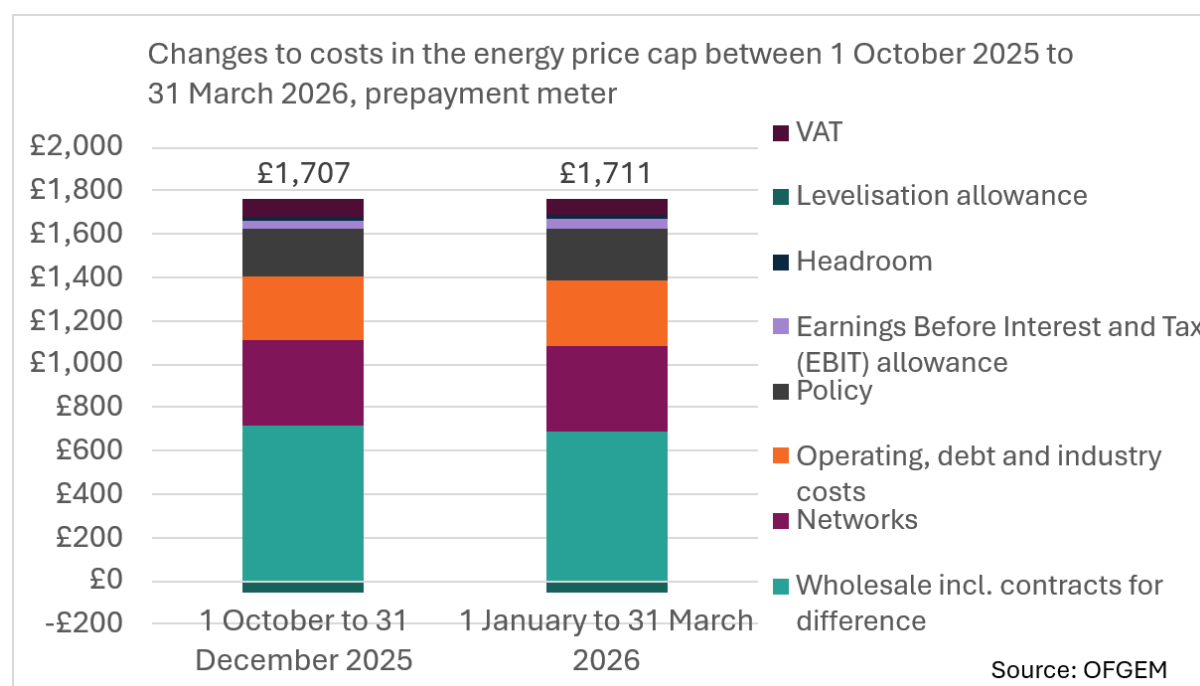
Annex 2 – Standard Credit Price Cap Cost Breakdown



Cost	October to December 2025	January to March 2026	Change (£)	Change (%)
Wholesale incl. contracts for difference	£720	£690	-£29	-4%
Networks	£396	£397	£1	0%
Operating, debt and industry costs	£406	£415	£9	2%
Policy	£215	£236	£21	10%
Earnings Before Interest and Tax (EBIT) allowance	£44	£45	£1	3%
Headroom	£20	£20	£0	0%
Levelisation allowance	£0	£0	£0	-
VAT	£90	£90	£0	0%
Total	£1,890	£1,894	£4	0%

Figures may not sum to total due to rounding.

Annex 3 – Prepayment Price Cap Cost Breakdown



Cost	October to December 2025	January to March 2026	Change (£)	Change (%)
Wholesale incl. contracts for difference	£719	£690	-£29	-4%
Networks	£391	£392	£1	0%
Operating, debt and industry costs	£296	£304	£8	3%
Policy	£215	£236	£21	10%
Earnings Before Interest and Tax (EBIT) allowance	£42	£44	£1	3%
Headroom	£19	£19	£0	0%
Levelisation allowance	-£56	-£56	£0	-1%
VAT	£81	£81	£0	0%
Total	£1,707	£1,711	£4	0%

Figures may not sum to total due to rounding.