Energy Price Cap: Programme of Work for 2026 and 2027

Following the introduction of the default tariff cap ('the cap') in January 2019, we have continued to update the cap to ensure it reflects fair cost of supplying energy and adapts to evolving market conditions whilst also protecting consumers.

The price cap continues to play a key role in protecting customers in the retail energy market. Our objective in setting the cap remains to protect existing and future customers on default tariffs. In doing so we have regards to several factors such as the ability for an efficient supplier to recover its costs and promotion of efficiency. These objectives and matters to which we must have regard are set out in the Domestic Gas and Electricity Act 2018 ('the Act'). When setting the cap, we must also have regard to other statutory requirements, such as the growth duty and the public sector equality duty.

This letter sets out our latest update to our programme of work, including the areas we intend to prioritise over the next 1-2 years. Providing a clear work programme supports transparency for stakeholders, helps manage expectations, and reinforces confidence in how we set the cap.

This programme of work is for the price cap only and does not cover wider pricing strategy workstreams, such as debt and affordability, standing charges, or the cost allocation review. However, we recognise the interactions and dependencies between these areas and the price cap, therefore we will ensure any decisions taken with respect to these areas are reflected in the cap appropriately and at the earliest opportunity.

While this document reflects our current priorities, these are always subject to reprioritisation in response to market developments and external events. We will continue to balance priorities and keep stakeholders informed of any material updates.

Priority 1: Supporting through the crisis

Suppliers and customers remain exposed to significant uncertainty and volatility, largely driven by geopolitical uncertainty. Recent movement in gas markets in reaction to the Middle East conflict and the implications for global supply of oil and liquified natural gas (LNG) highlight this, and we continue to monitor the situation closely.

Our priority throughout this period will be working collaboratively with government, the sector and charities to safeguard consumers and support a resilient market.

As part of our response to rising gas prices, we have, commenced collecting near real-time data on customer accounts and tariff switching. This will strengthen our understanding of market conditions and help inform any future policy changes. We are currently in the process of reviewing the case for continuing this RFI.

Alongside the cap, we have introduced a Market Stabilisation Charge (MSC) licence condition and held stakeholder workshops on the conditions for its activation. While we do not consider these conditions are currently met, we will act quickly to activate at pace should they be.

Priority 2: Balancing investability and consumer protection

We will continue to publish quarterly price cap updates throughout 2026/27 and keep the price cap under review to ensure it continues to balance our objectives and appropriately reflect the underlying efficient costs suppliers face. This will include work in the following areas:

- **Debt:** We will deliver a decision on the true-up of historical debt costs, monitor ongoing debt costs and where appropriate, review ongoing debt allowances in the price cap. We will also consider the recovery of PPM costs in the context of lower debt allowances.
- **CfDs:** We intend to consult further on a potential reconciliation mechanism for certain outturn CfD costs. This would be intended to improve the accuracy of cap allowances and reduce market risk.
- **Smart:** We will update the SMNCC model in August and work with stakeholders to develop an updated approach to metering costs that complements the new smart meter framework.
- **Networks:** We will consider the case for changes to the operation and/or recovery of gas capacity charges, including options both upstream (network charges) and downstream (price cap), given the demand risk these currently present.

- **Policy costs:** We will introduce an allowance for the new Bill Discount Scheme and consult on any further HMG policy changes that may require subsequent changes to the cap (eg Gas Shipper Obligation).
- **BAT:** We will consult on a potential extension to the Ban on Acquisition only tariffs in advance of a decision ahead of the observation period for the April price cap.
- **Economy 7:** Alongside reforms to the way Time-of-Use tariffs operate under the price cap, we will consider whether the current price cap approach for E7 and the wider regulatory framework are delivering good consumer outcomes. This includes working with suppliers to improve outcomes for E7 customers and ensure they receive the information needed to make informed tariff and consumption choices. The findings from this work will help inform the development of our outcomes-based regulatory approach, particularly the Informed Choices and Fair Pricing consumer outcomes.

Priority 3: Adapting to market-wide half-hourly settlement (MHHS)

We will continue to develop our approach to capping wholesale costs, particularly in respect to changes arising from MHHS, while ensuring that the cap supports consumer-led flexibility and innovation. Following responses to our Call for Input, published in May 2026, we will consider how best we deliver the workstream in light of ongoing uncertainties around impact and market development. This work is expected to focus on the following areas:

- Developing an approach to updating the single-rate cap to better reflect the demand profiles of a typical SVT customer;
- Determining how Time-of-Use (ToU) default tariffs should operate within the future cap framework.
- Monitoring market impacts and considering future reforms (for instance if increases in cost diversity lead to significant market distortions under a single rate price cap).

Over the summer, we aim to engage with suppliers on the findings of our half-hourly demand data modelling and the implications for future cap design.

Indicative timings and milestones

Workstream		**Indicative timings**
Priority 1: Supporting through the crisis		
Market Stabilisation Charge	Assessment of risk	Ongoing
	Consult on activation	Conditional on assessment of risk
Priority 2: Balancing investability and consumer protection		
Wholesale allowances	Contracts for Difference (CfD) allowance	Consult: Summer 26
		Decision: Winter 26/27
	Enduring Unidentified Gas (UIG) allowance	Consult: Late Summer 26/27
		Decision: Early 27
Smart metering costs	Annual SMNCC update	Summer 26
	Post-2025 framework SMNCC review	Consult: Autumn 26
		Decision: Winter 26/27
Debt allowances	Review of historical debt related costs	Decision: Autumn 26
	Monitoring of debt cost recovery	Publish bad debt data: Summer 26
	We will be evidence led on whether/when to review permanent allowances.	
Policy allowances	Bill Discount Scheme	Oct-26

	Gas Shipper Obligation	2027- Subject to legislation being in place
Priority 3: Adapting to MHHS		
Adapting to MHHS	Updated single-rate cap	Consult: Autumn 26
		Decision: Early 27
	Reform ToU within the cap	Consult: Winter 26
		Decision: Summer 27
Priority 4: Improving predictability		
Strategic approach	Case for change and how we will approach	Consult: Summer 27
Consequential model changes	Changes to individual cap models to align updates to February.	Consult: Autumn/Winter 26
		Decisions: Early 27

Links to wider pricing and cost recovery programme

Our work on the future of the price cap aligns with a broader programme on retail pricing and cost recovery.

Through our cost allocation and recovery review, we will assess the implications of shifts in future demand for consumers and consider potential policy responses. Given the scale and complexity of this work, it will take time; however, we will continue to engage with key stakeholders during the spring and summer of 2026 and expect to provide an update on potential policy responses in the winter 2026/27.

One particular interaction with the wider work on CARR and the price cap relates to improving predictability of energy prices. We are keen to work with stakeholders over the coming months to explore opportunities to improve bill predictability in the price cap where this is likely to result in improved consumer outcomes and reduce the costs/ risks facing the market.

Working with stakeholders

We intend to engage stakeholders through a combination of consultations, workshops and bilateral discussions across the work areas outlined in this letter.

While we are not formally inviting submissions on this work programme at this stage, we welcome feedback from stakeholders. Those wishing to provide feedback are invited to do so by contacting retailpriceregulation@ofgem.gov.uk in the coming weeks. Early feedback will help inform our planning and prioritisation of the work programme. Where stakeholders consider that additional areas should be prioritised beyond those set out here in this letter, it would be helpful to understand which existing areas they consider could be deprioritised to accommodate this.

Delivered workstreams

We have continued to publish quarterly updates to the cap and review allowances where there is evidence of material and systematic deviation of costs from allowances. This has resulted in a number of significant changes to the cap over the last 12 months. For example:

- **Implementing new policy schemes:** We have incorporated the Nuclear Regulated Asset Base (RAB) allowance, brought the profile of the Warm Home Discount cost allowance back in line with scheme years and moved cost recovery onto the unit rate. We have also implemented government bill support measures, including the 75% reduction in Renewable Obligations (RO) costs and the removal of Energy Company Obligation (ECO) and Great British Insulation Scheme (GBIS) charges.
- **Benchmark consumption:** We have revised the benchmark consumption level used to calculate the cap, restoring headroom and supporting supplier resilience and investability.

- **Typical domestic consumption values:** We updated the typical domestic consumption values (TDCV) to reflect declining consumption, ensuring suppliers can recover costs over expected levels of consumption.
- **Technical issues:** We have continued to work closely with industry stakeholders to address technical issues within the cap. This has included updating the allowance for gas losses (known as unidentified gas or UIG), removing the backwardation deadband from the wholesale cost calculation, and improving the treatment of electrical losses by incorporating an adjustment for Group Correction Factors (GCFs).