Making a positive difference
for energy consumers

To all market participants and
interested parties

Email: retailpriceregulation@ofgem.gov.uk

Date: 26 August 2026

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

Dear colleagues,

Today we have published the updated cap levels for charge restriction period ("cap period") 17a, covering the three months from 1 October to 31 December 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 (2026) 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 price cap rates published today, we have also published our annual letter regarding Smart Metering Net Cost Change allowances.

Later this week, we will also be publishing the decision for the introduction of an allowance to cover the costs to suppliers of the Bill Discount Scheme (BDS) starting from April 2027, which supports the funding of a new government scheme that provides discounts to households near new or upgraded electricity transmission.

[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) 2016/11 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	July to September 2026	October to December 2026	Change (%)
Direct Debit	£1,663	£1,723	4%
Standard Credit	£1,796	£1,861	4%
PPM	£1,620	£1,678	4%
Economy 7 (Direct Debit)	£1,039	£1,046	1%

All bill values presented in the table above are communicated using the current Typical Domestic Consumption Values (TDCVs) at medium consumption, 2,500kWh for electricity, 9,500 kWh for gas and 3,400 kWh for multi-register meters, such as Economy 7 customers. All values are rounded to the nearest £ or %.

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 Energy price cap unit rates and standing charges | Ofgem on the Ofgem website.

What's driving the changes to the October to December 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 increased by 11%. It now makes up 47% of the total price cap as compared to 44% in the previous quarter. The continued conflict and geopolitical instability in the Middle East has been the primary driver for wholesale market movements over the last three months with prices also being compounded by extreme temperatures impacting much of Britain and Europe as a whole. Gas prices continued to be impacted as the market adjusted risk factors surrounding liquefied natural gas (LNG) supply. Power prices have also been impacted due to increased cooling demand along with tighter-than-normal margins caused by thermal curtailment of power generating plants across continental Europe. These conditions, paired with low wind generation led to an increased reliance on gas fired generation.

Due to the role gas continues to have in setting power prices, the gas wholesale allowance is going up by 13% and the electricity wholesale allowance is going up by 10% as compared to the previous quarter.

- **VAT reduction:** The government has decided to reduce the level of VAT from all electricity bills from 5% to zero. This change will apply to all bills, including those under the price cap, from 1 October 2026 to 31 March 2027. This change only applies to electricity bills and VAT will remain unchanged for gas bills at 5% for this period.

Compliance with the price caps

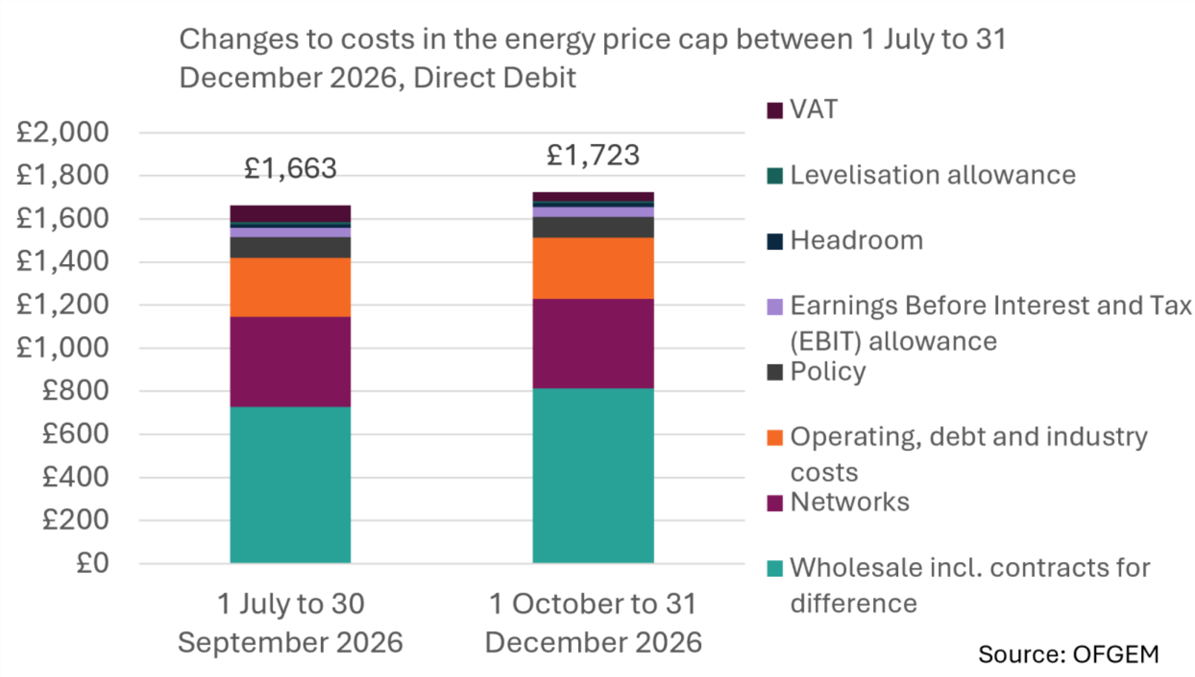
We expect suppliers to take seriously their obligations and comply with business-as-usual practices in line with Standard Licence Conditions. Ofgem will be closely monitoring supplier compliance and will continue to take firm action against suppliers who fall short of their requirements.

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

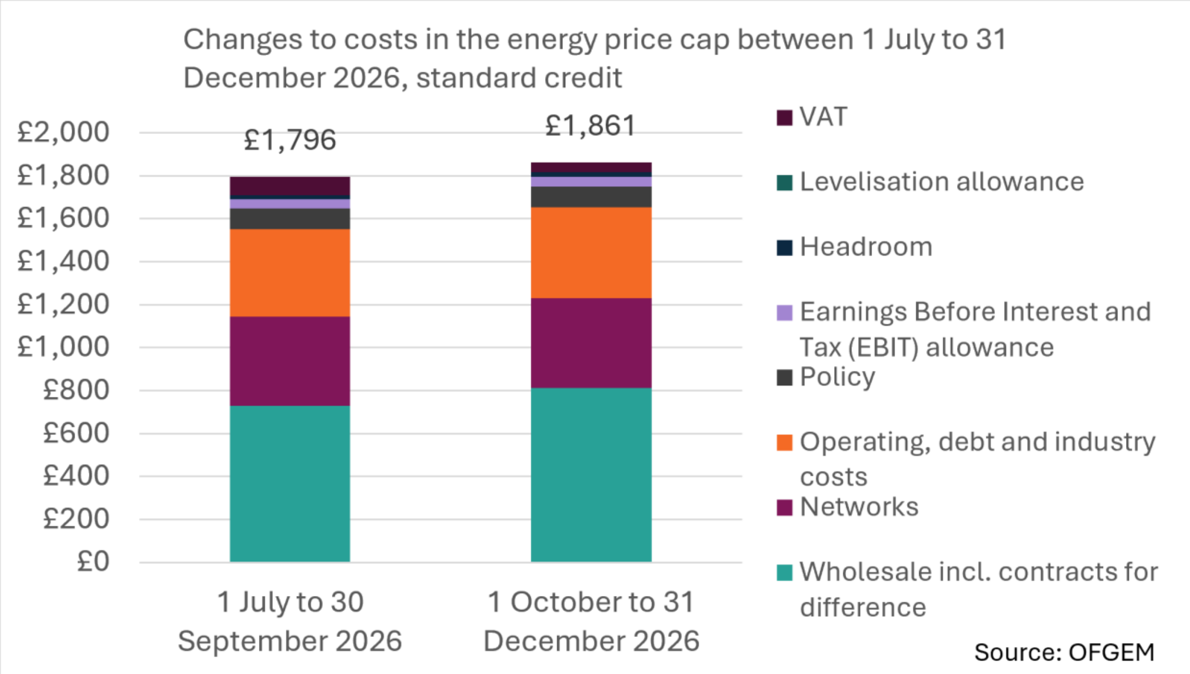
Annex 1 - Direct Debit Price Cap Cost Breakdown at current (2026) TDCV



Figures may not sum to total due to rounding.

Cost	July to Sept 2026	Oct to Dec 2026
Wholesale incl. contracts for difference	44%	47%
Networks	25%	24%
Operating, debt and industry costs	17%	17%
Policy	6%	6%
Earnings Before Interest and Tax (EBIT) allowance	2.6%	2.7%
Headroom	1%	1%
Levelisation allowance	0.5%	0.5%
VAT (gas)	5%	5%
VAT (electricity)	5%	0%
Total	**£1,663**	**£1,723**

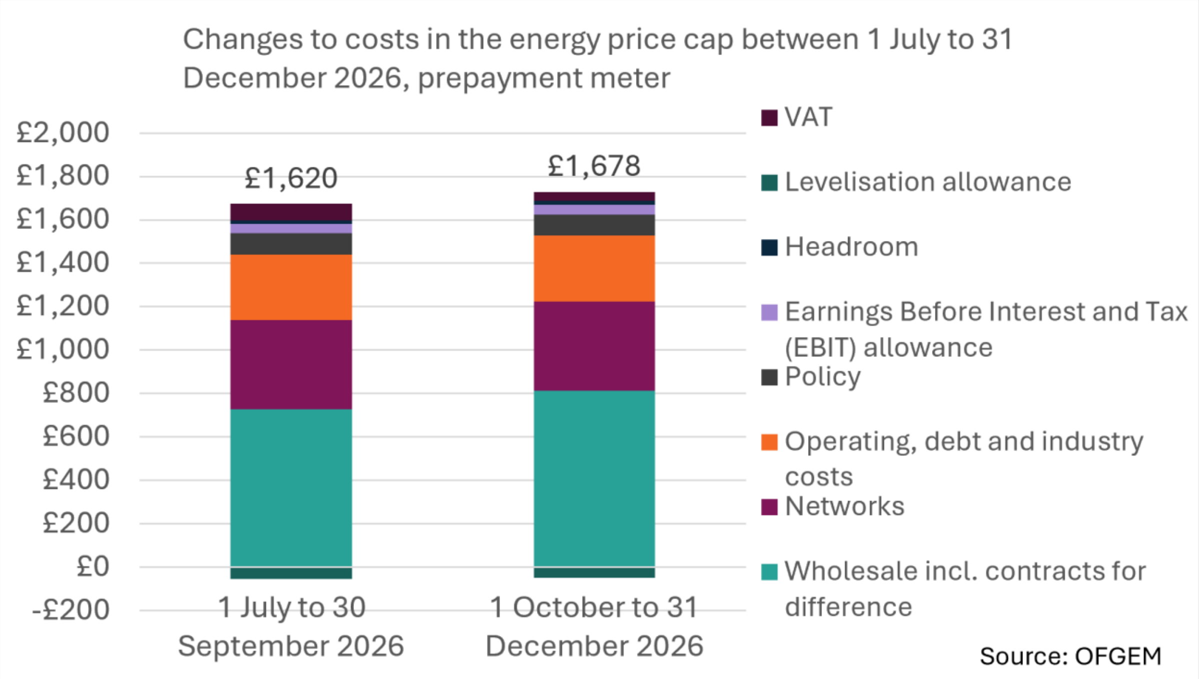
Annex 2 – Standard Credit Price Cap Cost Breakdown at current (2026) TDCV



Figures may not sum to total due to rounding.

Cost	**July to Sept 2026**	**Oct to Dec 2026**
Wholesale incl. contracts for difference	41%	44%
Networks	23%	22%
Operating, debt and industry costs	23%	23%
Policy	5%	5%
Earnings Before Interest and Tax (EBIT) allowance	2.5%	2.6%
Headroom	1%	1%
Levelisation allowance	0%	0%
VAT (gas)	5%	5%
VAT (electricity)	5%	0%
Total	**£1,796**	**£1,861**

Annex 3 – Prepayment Price Cap Cost Breakdown at current (2026) TDCV



Figures may not sum to total due to rounding.

Cost	July to Sept 2026	Oct to Dec 2026
Wholesale incl. contracts for difference	45%	48%
Networks	25%	25%
Operating, debt and industry costs	19%	18%
Policy	6%	6%
Earnings Before Interest and Tax (EBIT) allowance	2.6%	2.7%
Headroom	1%	1%
Levelisation allowance	-3%	-3%
VAT (gas)	5%	5%
VAT (electricity)	5%	0%
Total	**£1,620**	**£1,678**