Making a positive difference
for energy consumers

To all market participants and
interested parties

Date: 25 November 2026

Energy price cap (default tariff) update from 1 January 2027

Dear colleagues,

Today we have published the updated cap levels for charge restriction period ("cap period") 17b, covering the three months from 1 January to 31 March 2027.[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.

[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	October to December 2026	January to March 2027	Change (%)
Direct Debit	£1,723	£2,166	26%
Standard Credit	£1,861	£2,328	25%
PPM	£1,678	£2,108	26%
Economy 7 (Direct Debit)	£1,046	£1,265	21%

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 January to March 2027 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 50%. It now makes up 56% of the total price cap as compared to 47% in the previous quarter. The ongoing conflict and geopolitical instability in the Middle East continued to be the primary driver for wholesale market movements over the three-month period. The escalation in tensions was compounded by historically low European gas storage as we entered the winter season (October - March). This saw prices reach multiyear highs at the end of October, with gains reversing at the start of November due to changes in market sentiment brought about by global political developments and an apparent easing of tensions in the Middle East. Gas prices continued to be impacted as the market adjusted risk factors surrounding liquefied natural gas (LNG) supply. Power prices have also been impacted, largely tracking gas trends which, paired with periods of low wind

generation, led to an increased reliance on gas fired generation adding price pressure.

Due to the role gas continues to have in setting power prices, the gas wholesale allowance is going up by 59% and the electricity wholesale allowance is going up by 39% as compared to the previous quarter.

- **Indexed Allowances:** Rising wholesale costs will also see corresponding increases in the indexed allowances in the price cap which rise and fall with the overall cap level. This includes EBIT, headroom, debt related costs and VAT (which currently only applies to gas bills until end June 2027).

Compliance with the price caps

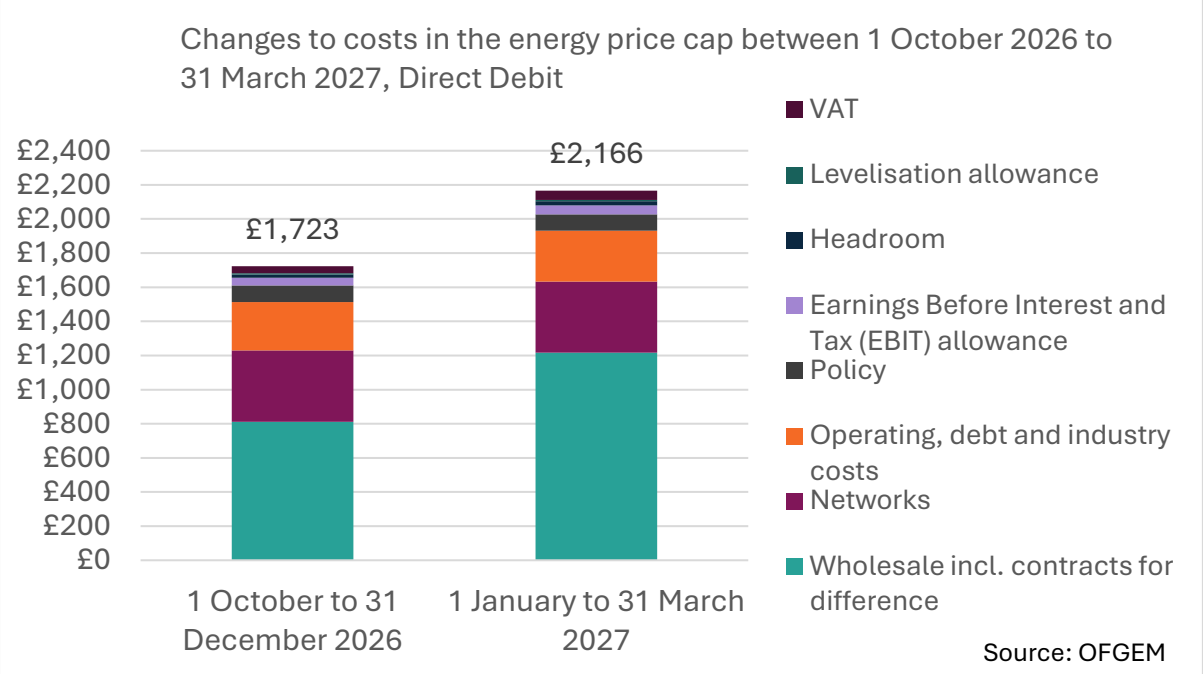
We expect suppliers to take seriously their obligations and comply with business-as-usual practices in line with Standard Licence Conditions. Ofgem will be closely monitoring supplier compliance and will continue to take firm action against suppliers who fall short of their requirements.

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

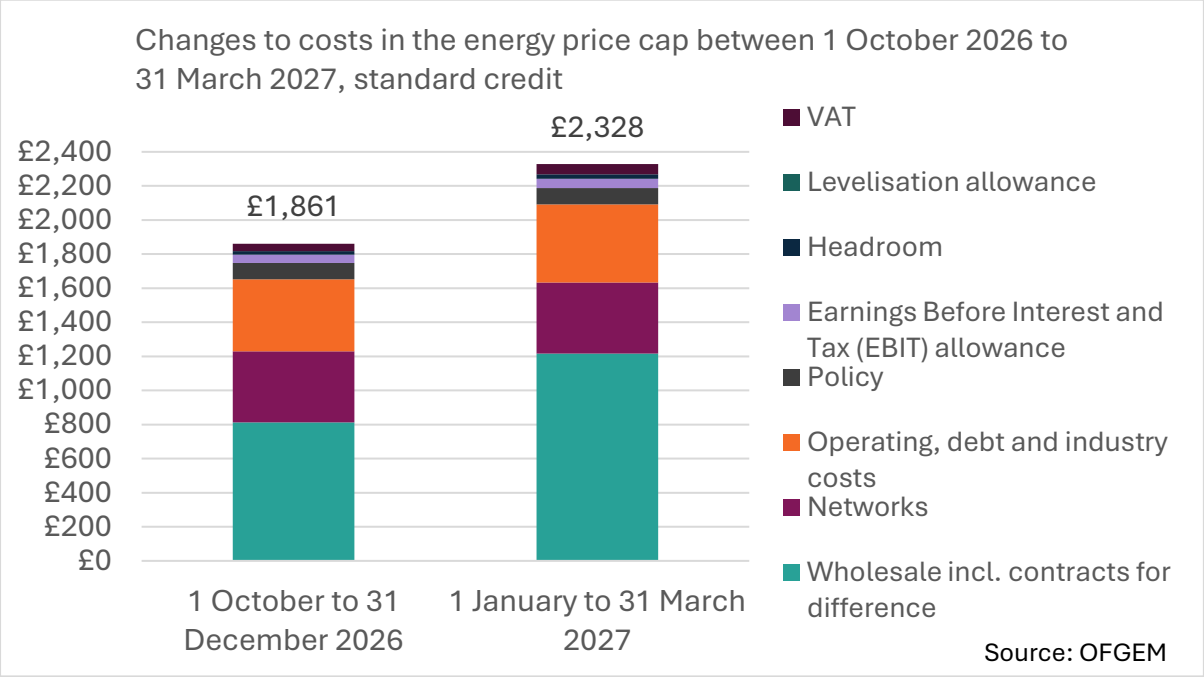
Annex 1 - Direct Debit Price Cap Cost Breakdown at current (2026) TDCV



Figures may not sum to total due to rounding.

Cost	Oct to Dec 2026	January to March 2027
Wholesale incl. contracts for difference	47%	56%
Networks	24%	19%
Operating, debt and industry costs	17%	14%
Policy	6%	4%
Earnings Before Interest and Tax (EBIT) allowance	2.7%	2.5%
Headroom	1%	1%
Levelisation allowance	0.5%	0.4%
VAT (gas)	5%	5%
VAT (electricity)	0%	0%
Total	**£1,723**	**£2,166**

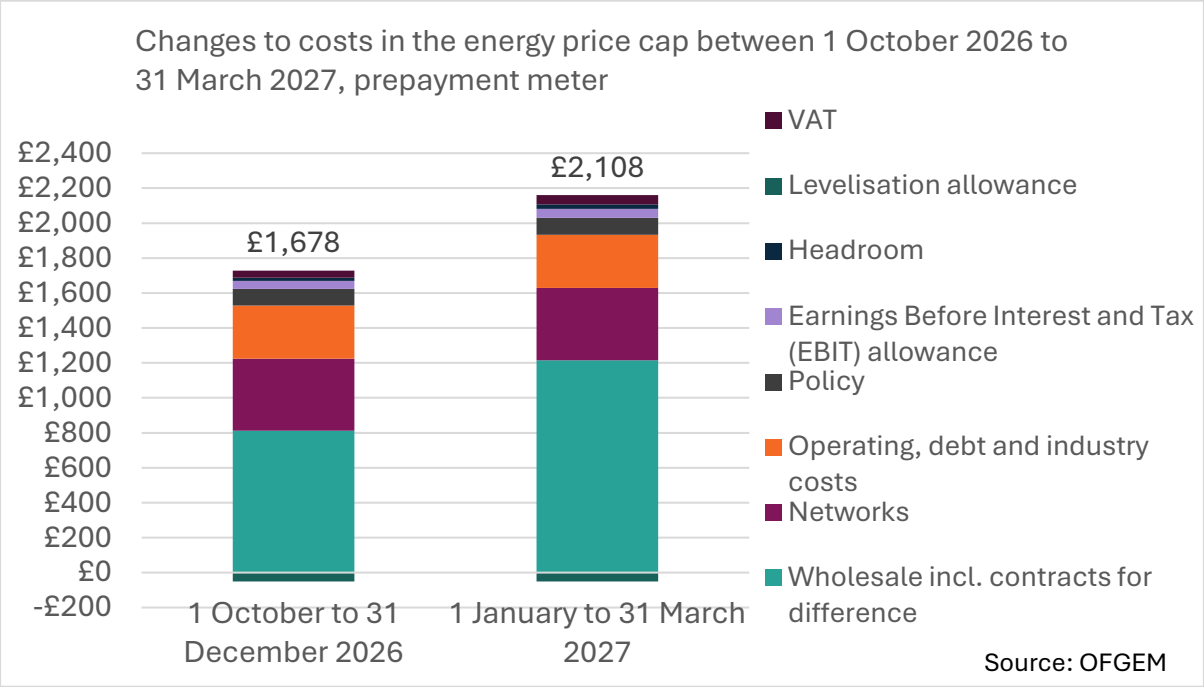
Annex 2 – Standard Credit Price Cap Cost Breakdown at current (2026) TDCV



Figures may not sum to total due to rounding.

Cost	Oct to Dec 2026	January to March 2027
Wholesale incl. contracts for difference	44%	52%
Networks	22%	18%
Operating, debt and industry costs	23%	20%
Policy	5%	4%
Earnings Before Interest and Tax (EBIT) allowance	2.6%	2.4%
Headroom	1%	1%
Levelisation allowance	0%	0%
VAT (gas)	5%	5%
VAT (electricity)	0%	0%
Total	**£1,861**	**£2,328**

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



Figures may not sum to total due to rounding.

Cost	Oct to Dec 2026	January to March 2027
Wholesale incl. contracts for difference	48%	58%
Networks	25%	20%
Operating, debt and industry costs	18%	14%
Policy	6%	5%
Earnings Before Interest and Tax (EBIT) allowance	2.7%	2.5%
Headroom	1%	1%
Levelisation allowance	-3%	-2%
VAT (gas)	5%	5%
VAT (electricity)	0%	0%
Total	**£1,678**	**£2,108**