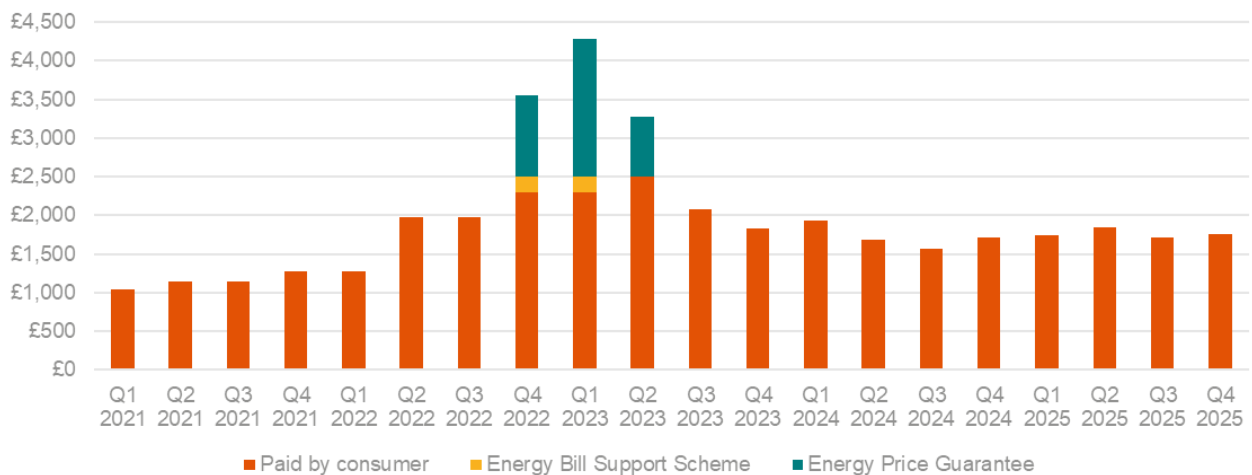


## Energy UK explains: October 2025 price cap

### August 2025

#### Key points

- Ofgem has today announced that the price cap from 1 October 2025 will be £1,755. This is for the typical dual-fuel household paying by Direct Debit.
- This is a £35 (or 2%) increase from the current level of £1,720 a year.
- While the price cap has come down since early 2023, it remains more than a third (37%) above the levels before the energy crisis.
- The price cap for this October has also increased because more households will receive the Warm Home Discount (WHD), which is paid for via the energy bill.
- While the price cap will be £38 higher than October – December 2024, the rise is smaller than this time last year when the cap increased by £149. As such, bill shock may be more limited, but costs remain unaffordable for many.
- While a large proportion of the price cap is set by the price of gas (or ‘wholesale’ cost), it is likely that non-wholesale costs (such as ‘policy costs’ and ‘network costs’) will keep increasing in the future.
- October’s cap is one example where the bill to support low-income households is being picked up by other customers. While it is right that low-income households are supported, the Government must consider where costs fall and how proportionate those are.
- The Government is correct that the long-term solution to volatile prices is to build more British power, along with electrifying demand, which will ensure the country is less reliant on international fossil fuel markets.
- In the short term, however, while the peak of the energy crisis has passed, energy prices remain high, and debt is still impacting a significant number of households.
- The Government must work with the energy sector to bring down bills and we have put forward [several ways to do this](#).



**Figure 1: Price cap since 2021 (Source: Ofgem)**

### Why is the price cap increasing in October?

- In the UK, the wholesale price of gas continues to predominantly set the price of electricity.
- Despite a relatively stable wholesale cost of gas since May 2025 and throughout the summer period, the commodity continues to be sensitive to global geopolitical events.
- Gas prices for instance temporarily spiked over the conflict period between Iran and Israel at the end of June.
- This price cap will also include an expanded Warm Home Discount (WHD), which will be paid for via energy bills of households in Great Britain.

### Why is the Warm Home Discount adding to bills?

- From October 2025, the WHD is expanded to include an additional 2.7 million households – bringing a total to an estimated 6.1 million households in receipt of the support.<sup>1</sup>
- This will allow all households in receipt of means-tested benefits to qualify for the £150 discount on their electricity bill. The scheme is scheduled to end in March 2026, though the cost of the increased WHD will be spread over the four price caps that cover October 2025 to September 2026.<sup>2</sup>
- While this increase in support will help many vulnerable households, it is not a long-term solution.
- The Government, energy regulator Ofgem, the energy industry and charities need to continue working together to ensure well-targeted support is available for low-income and vulnerable households, and energy debt is mitigated.
- Additionally, Ofgem has announced a review of how costs are allocated across the energy system.<sup>3</sup>

<sup>1</sup> [DESNZ \(2025\), Millions more families to get £150 off energy bills this winter](#)

<sup>2</sup> [Ofgem \(2025\), Policy Update: Warm Home Discount and Contracts for Difference](#)

<sup>3</sup> [Ofgem \(2025\), Energy system cost allocation and recovery review](#)

### Are higher prices expected over the winter season?

- Although the increase in the wholesale price of gas has not been as much as it was at this point in 2024, it still remains volatile and is well above the historic average.
- As the UK approaches colder weather over the autumn and winter, demand for heating will increase, which has an impact on overall wholesale costs.
- This increased demand could put further pressure on the price of gas over the winter months. This could be worsened further, as last winter the UK had the lowest level of gas storage since 2021, meaning reserves might take longer to fill.

### Why does the UK have higher energy prices than other countries?

- Although other economies also rely on gas, the UK is particularly exposed.
- Gas plays an important role in the country's energy system, across electricity generation and industrial needs, but as a country, the UK is heavily reliant on it.
- Until last year, gas was the largest source of electricity generation. In 2024, this has since been overtaken by wind.<sup>4</sup>
- Reliance on gas is also high across the way the UK homes are heated, with nearly three-quarters being heated by gas.<sup>5</sup> This is far higher than most other developed economies.<sup>6</sup>

### What can be done about this?

- In the long run, building more British power will mean the country is less reliant on foreign fossil fuel markets and volatile prices.
- Although challenging, this is why the ambition of a clean power system is so important.

### And in the short term?

- More widely, households and businesses need more support.
- As a first step, [households](#) and [businesses](#) should always speak to their supplier if they're struggling.
- National Energy Action estimates around six million households are in fuel poverty.<sup>7</sup>
- Despite bills remaining below £2,000 since Q3 2023, debt has continued to increase. Ofgem estimates household energy debt is over £4 billion, more than double pre-crisis levels.<sup>8</sup>
- Energy UK is part of the energy department-led data sharing working group, which aims to improve data matching to provide better targeted support to low-income and vulnerable customers.

---

<sup>4</sup> [NESO \(2024\), Britain's Electricity Explained: 2024 Review](#)

<sup>5</sup> [Energy UK \(2024\), Fuelling the Future; Progressing the gas transition for Net Zero](#)

<sup>6</sup> [IEA \(2022\), Proportion of residential heating energy consumption by fuel source in selected countries, 2020](#)

<sup>7</sup> [National Energy Action \(2024\), Fuel Poverty Awareness Day press release](#)

<sup>8</sup> [Ofgem \(2025\), Debt and arrears indicators](#)

- A new long-term targeted support scheme is needed to ensure that households in most need receive adequate support with their energy bills.
- This also helps the Government avoid having to provide expensive universal support if prices spike, as it did during the energy crisis.
- While the wholesale price makes up a large proportion of an energy bill, there are other charges that are recouped through energy bills. [Energy UK has outlined more detailed thoughts in the report 'How to cut bills: A crisis we can't afford to ignore'](#).

### About Energy UK

Energy UK is the trade association for the energy industry, representing companies investing billions of pounds to secure our country's current and future energy needs.

From growing start-ups to major electricity generators, grid and infrastructure developers and energy suppliers, our members are driving change across power, heat, transport and flexibility.

We provide a collective voice for the sector working with governments, regulators, charities and other organisations to provide crucial insight that shapes policy, offers solutions and promotes best practice.

Our broad view across the whole system supports evidence-based positions which are not tied to particular technologies, and are focused on delivering strategic benefits for people, businesses and the economy.

For more information contact [press@energy-uk.org.uk](mailto:press@energy-uk.org.uk).