Energy UK

Explaining energy bills

The Autumn Budget & April 2026 price cap

The voice of the energy industry

About Energy UK

- Energy UK is a trade association for the energy industry.
- We represent the full spectrum of the energy industry, from generators to suppliers and everything in-between.
- We don't represent upstream oil and gas markets or Distribution Network Operators.
- Our broad view across the whole system gives us a unique perspective to shape policy, offer solutions and promote best practice.

What kind of companies do we represent?

Retail supply companies

We represent companies that supply energy to over 95% of UK homes as well as many businesses.

Electricity generators

Our members deliver nearly 80% of the UK's power generation, through wind, solar, hydro, nuclear, biomass and gas generation

Investors

Companies that share our determination to ensure that the UK investment environment facilitates the delivery of our transition to Net Zero.

Technology firms

Innovative technologies will be needed in the low carbon transition, we link up companies that are helping to drive the digitalisation of our sector.

Flexibility and storage providers

We represent some of the leading innovators and market leaders on low carbon flexibility from consumer demand-side response to battery developers to long-duration storage.

Electric vehicles

Our membership includes EV charging providers as well as those offering bundled services surrounding this technology.

Heating

With members from heat pump, heat network, hybrid, and gas boiler markets, we represent the full breadth of the transition to low carbon heat.

Electricity system operation and transmission

We represent both National Grid ESO, responsible for balancing GB power, and National Grid Electricity Transmission, which owns and maintains the high-voltage electricity transmission network in England and Wales.

Consultancies

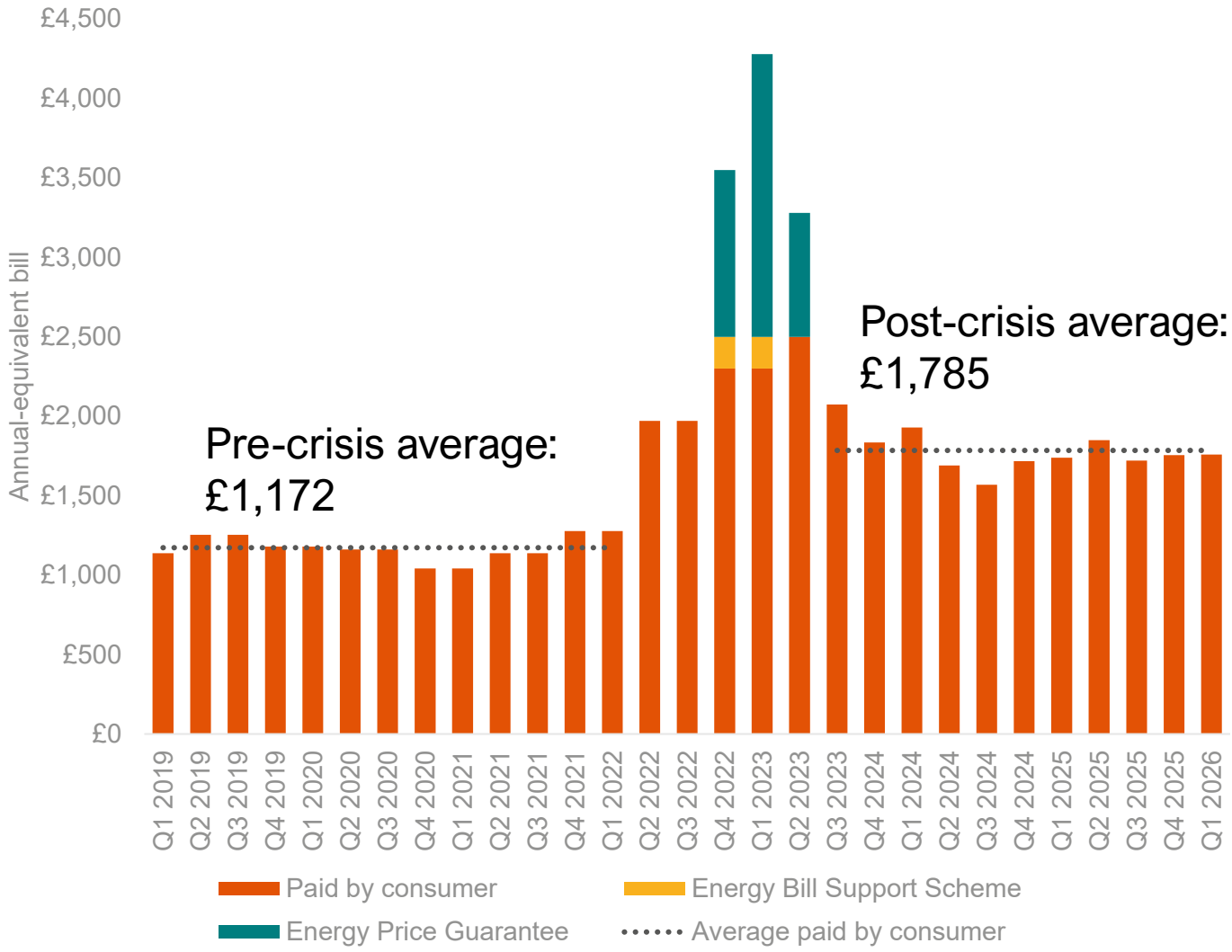
Firms that specialise in advising on energy benefit from our wide range of expertise and connections.

Charities

Having organisations that have consumers at their heart as part of our membership ensures our advocacy work always considers how it will affect the people that use energy.

Energy bills remain higher than pre-crisis average

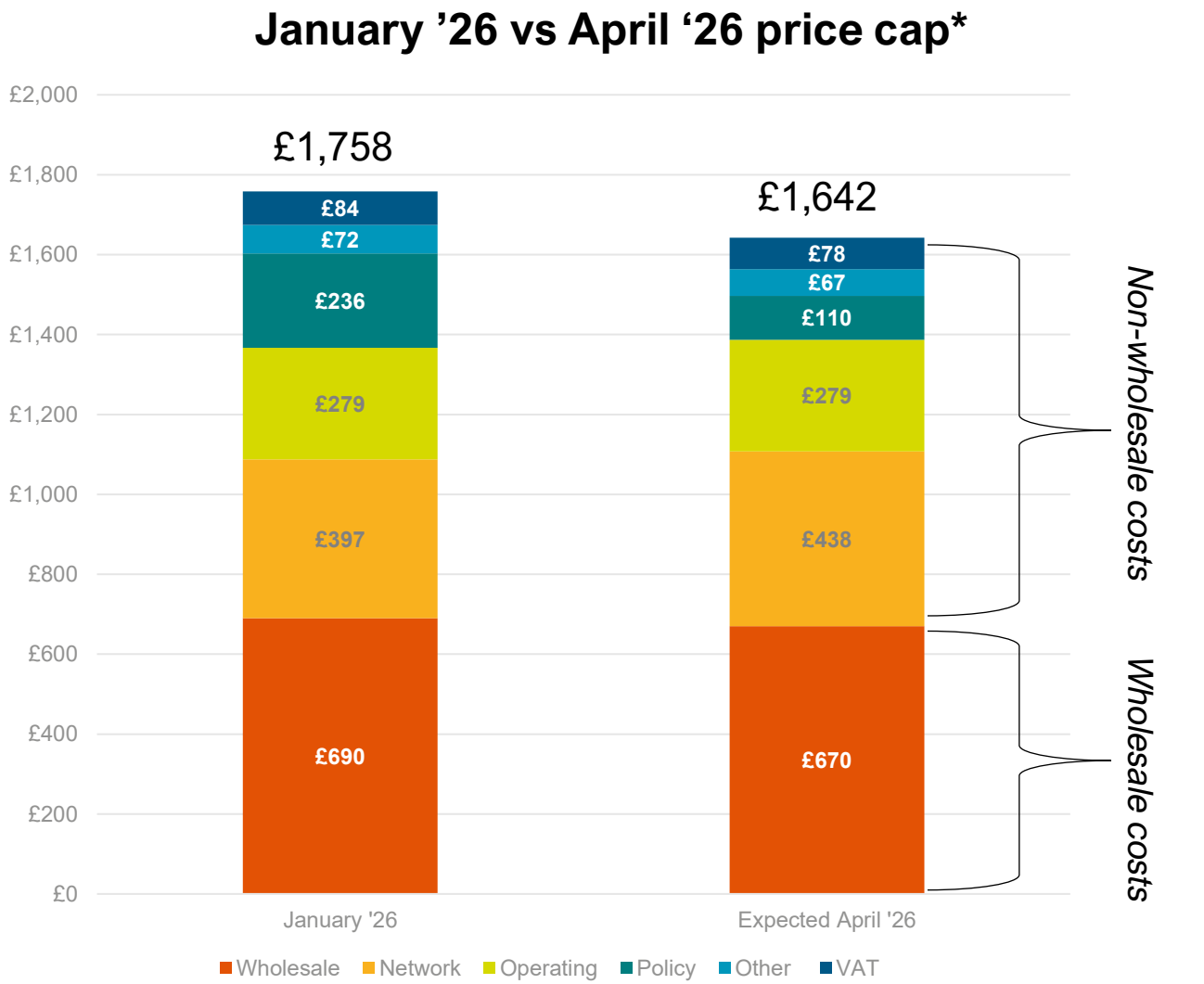
- The typical annual dual-fuel bill is now around 40% higher in real terms than in Q1 2021.
- After accounting for inflation, that is £511 more per typical household.
- Wholesale costs account for 39% of the typical annual dual-fuel bill.
- 57% of the increase in household bills since Q1 2021 is driven by an increase in wholesale prices.



The price cap is expected to fall in April due to lower policy and wholesale costs

- An energy bill is made up of several parts, the single largest being:
  - **Wholesale costs** – e.g. the cost of buying energy. In GB, the wholesale price is largely set by the price of gas on international markets.

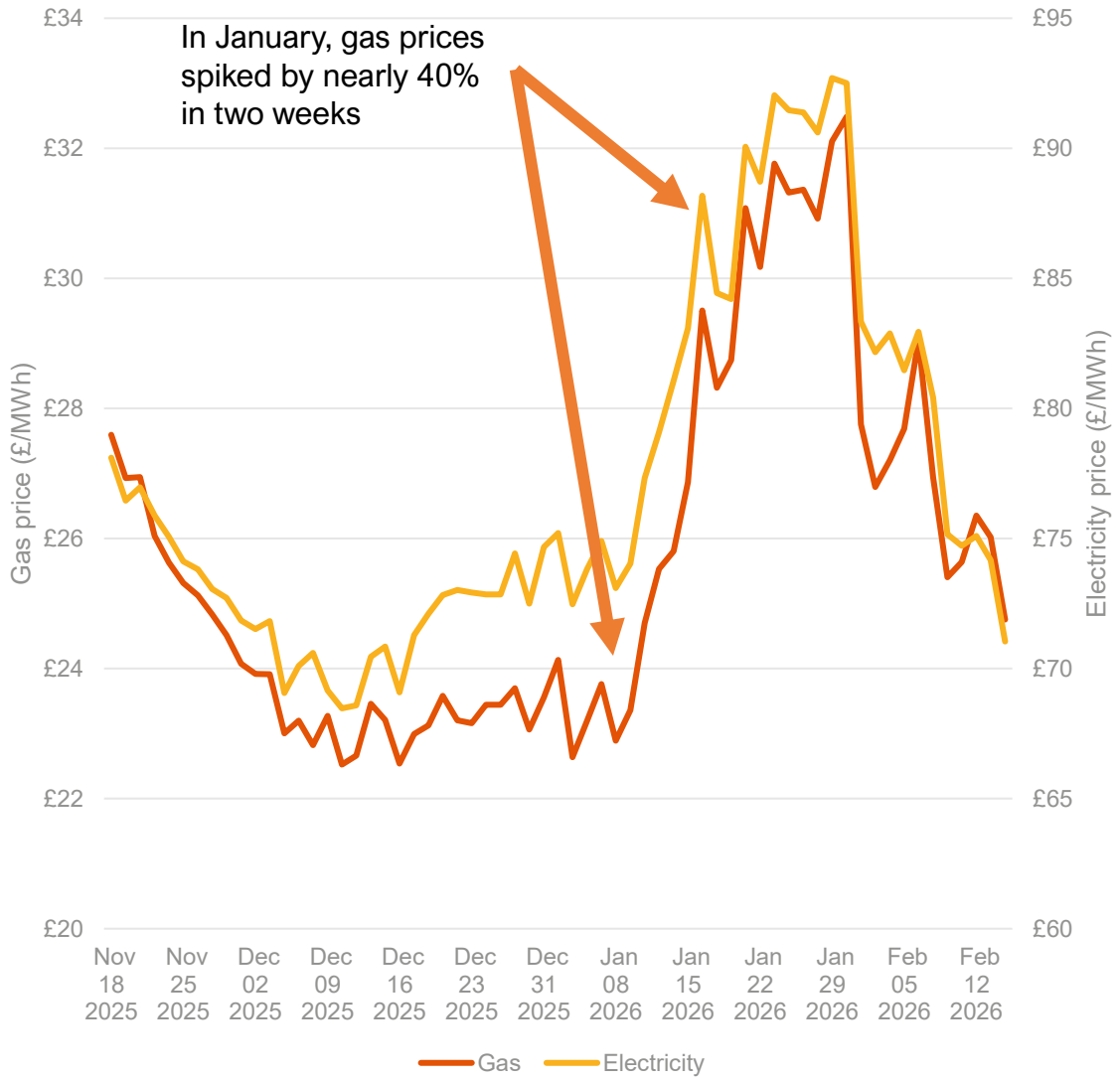
- An increasing portion is made up of **'non-wholesale costs'**, including:
  - **Network costs** – costs paid to modernise and maintain system infrastructure.
    Operating costs – cover the day-to-day cost of running an energy supplier, including billing, IT systems, industry costs, bad debt and compliance.
  - **Policy costs** – environmental and social levies which could be to support renewables or vulnerable customers.



*Expected April 2026 price cap taken from EDF's estimate. Price cap breakdown is based on Energy UK analysis

Gas markets have been volatile since the beginning of the year

- The biggest factor for whether the price cap goes up or down is usually due to the movement of **wholesale costs.**
- The UK gas market is fully integrated into international and European markets, meaning wholesale prices we pay track global gas prices.
- While the second half of 2025 was relatively steady for the price of gas, in early January it increased by nearly 40% and could impact the April price cap.
- Ofgem will announce the April price cap on the 25th February.



Dealing with wholesale costs

- Under our pricing system, gas (usually the most expensive form of generation) currently sets the price of electricity the majority of the time.
- As low-carbon sources continue to make up a larger share of generation, gas plants will run less frequently, so gas will set the electricity price less.
- **This is already happening:** ECIU analysis showed the average price of electricity traded on day-ahead markets last year was around £83 per megawatt-hour (MWh), but could have been as high as £121 per MWh, were it not for British windfarms limiting the role of gas power plants in setting prices.[1]
- Even in a clean power system, gas will continue playing a vital role in providing resilience and security of supply, particularly during periods of low renewable generation or peak demand.
- **Building new low-carbon assets to tackle wholesale costs will deliver energy security as well as affordable, stable bills, but it is a solution for the long-term.**

How often gas sets the price varies in different countries:[2][3]

85%	7%	24%

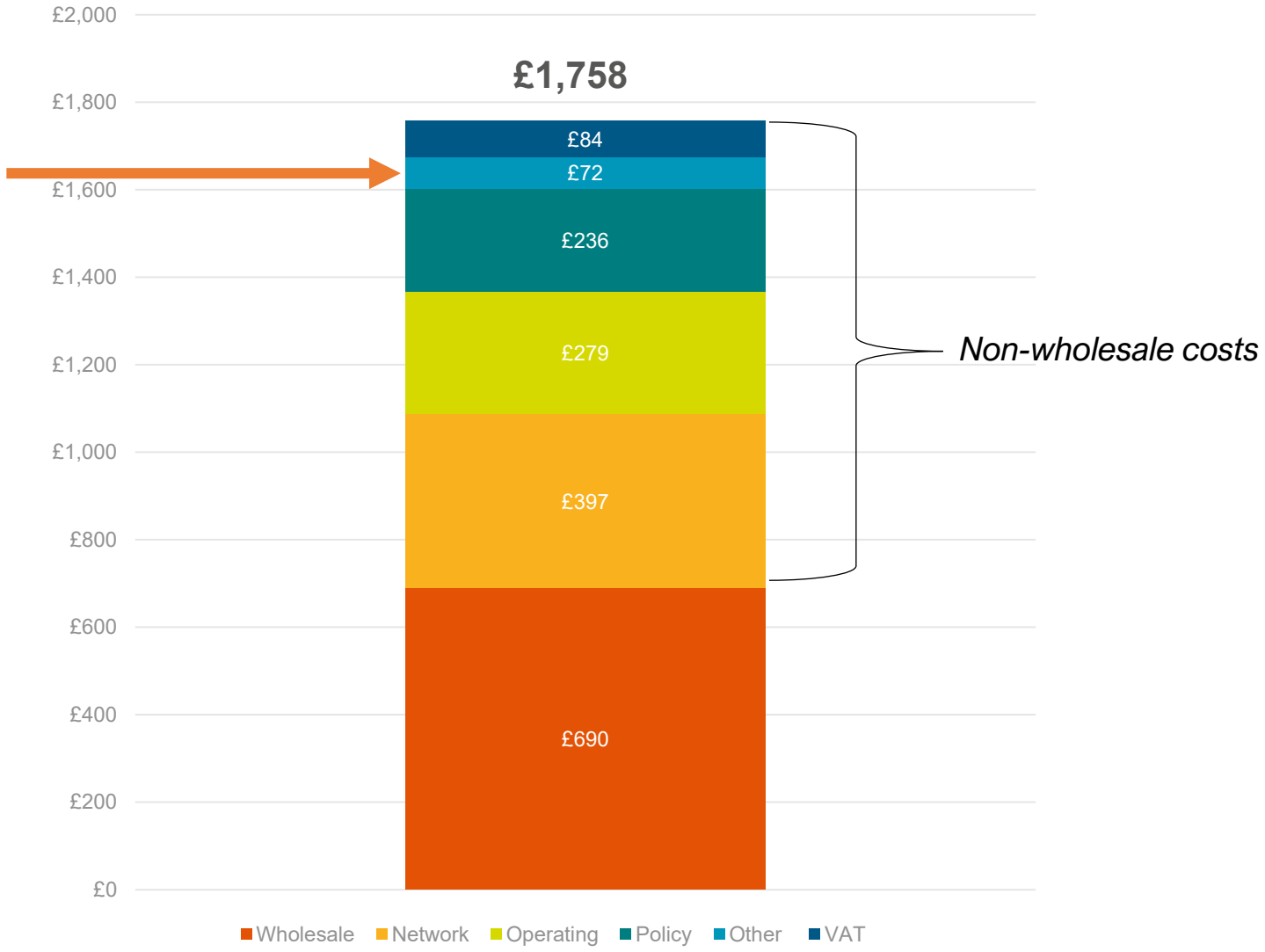
[1] ECIU (2025)
[2] ECIU (2025)
[3] Carbon Brief (2025)

Non-wholesale costs play an important role in our energy system

Included in 'Other' is the Earnings Before Interest and Taxes allowance (EBIT) or supplier profit allowance: 2.5%.

E.g. In January, the price cap of £1,758 would return around £44 profit per typical consumption dual-fuel account.

This margin is provisioned by Ofgem through the price cap.

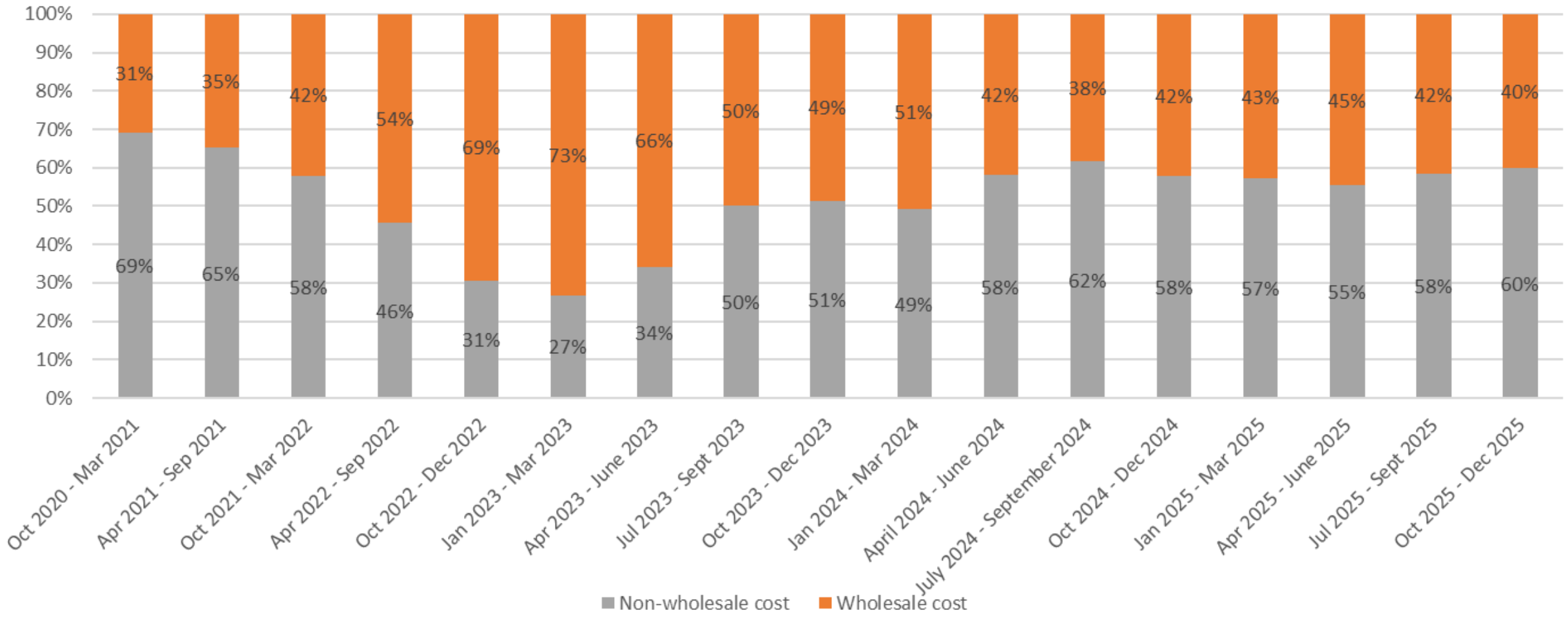


Non-wholesale costs play an important role in our energy system

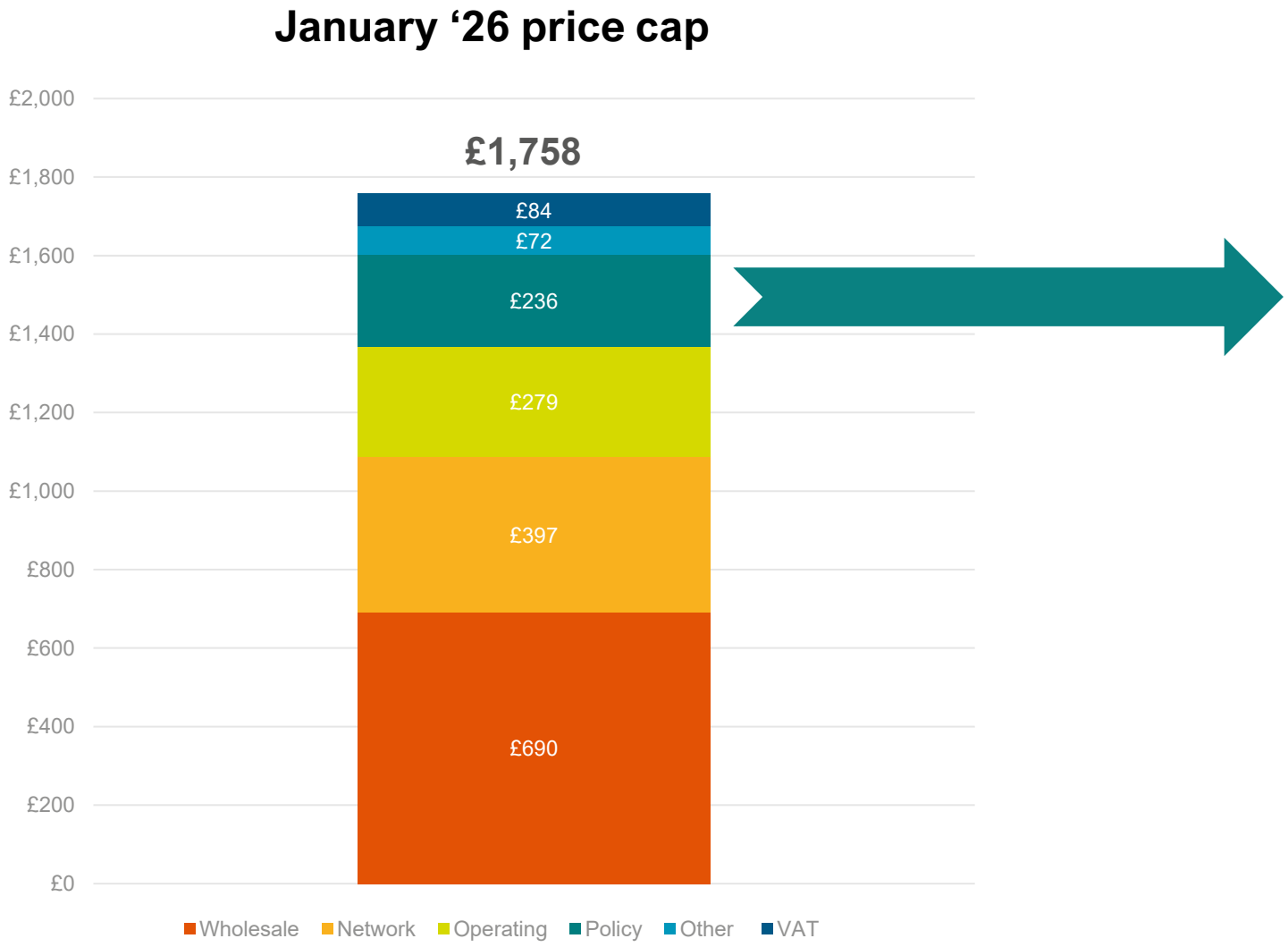
- These costs on energy bills are how the UK has paid for building renewables, upgrading our networks, or supporting vulnerable households, for example.
- Successive UK governments have chosen to recover the costs of these schemes through levies on energy bills.
- Some European countries, including Denmark and Germany, choose instead to fund these policies via general taxation.
- As we ramp up investment to upgrade our energy system, we need to carefully consider where the associated costs fall.

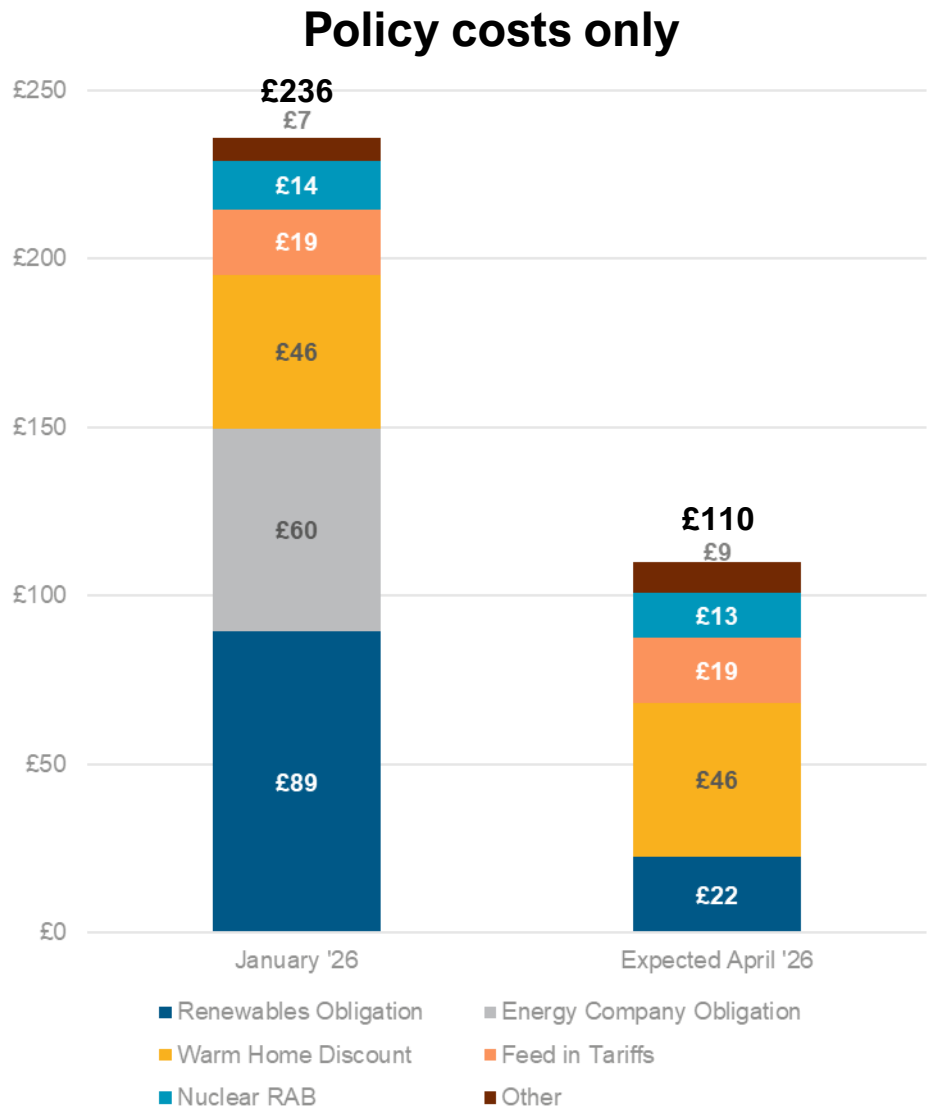
Non-wholesale costs play an important role in our energy system

Energy price caps broken down by proportion of wholesale vs non-wholesale costs



The Autumn Budget aimed to tackle rising policy costs





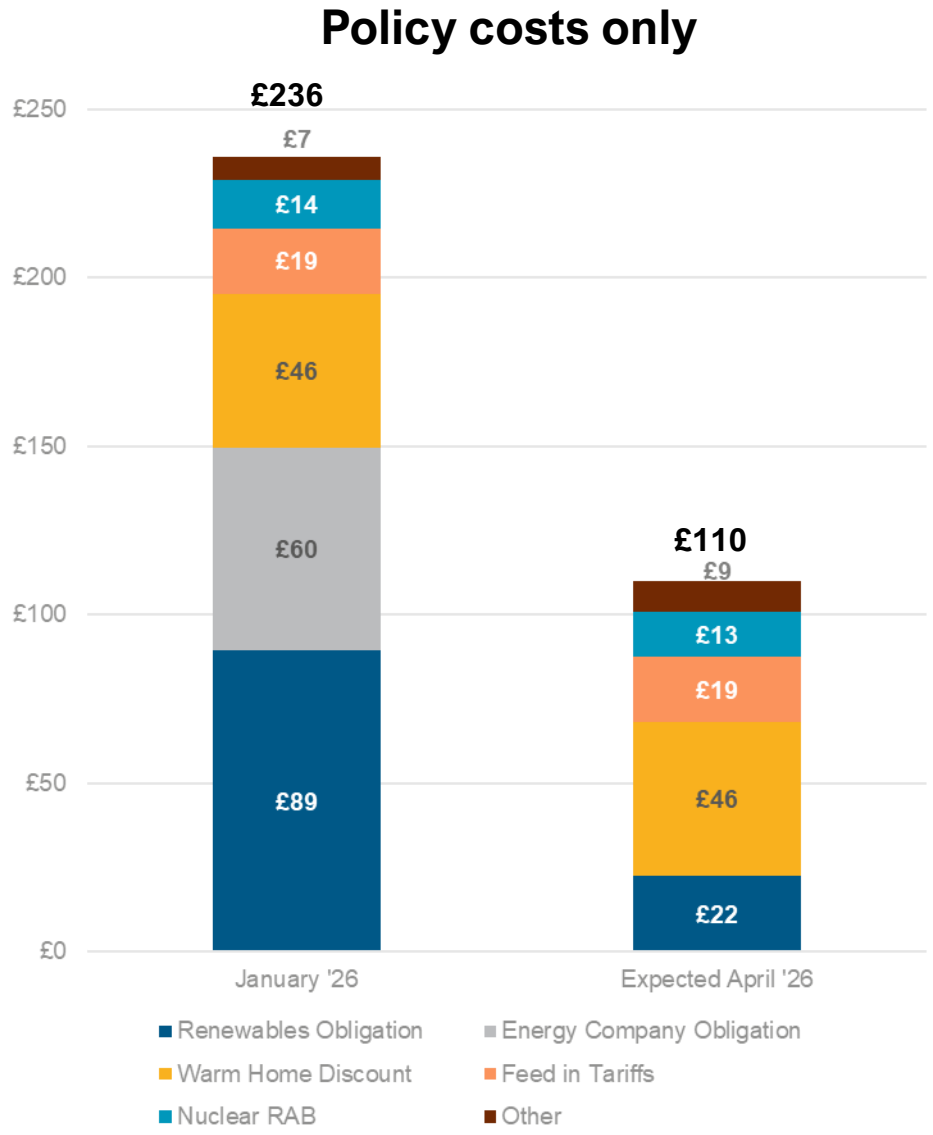
The Autumn Budget aimed to tackle rising policy costs

- The Government announced at the Autumn Budget it would reduce energy bills by an average £150 for some households (around £134 per typical dual-fuel user).

- As the Government has no control over international wholesale markets, the short-term options are limited **to reducing non-wholesale costs.**

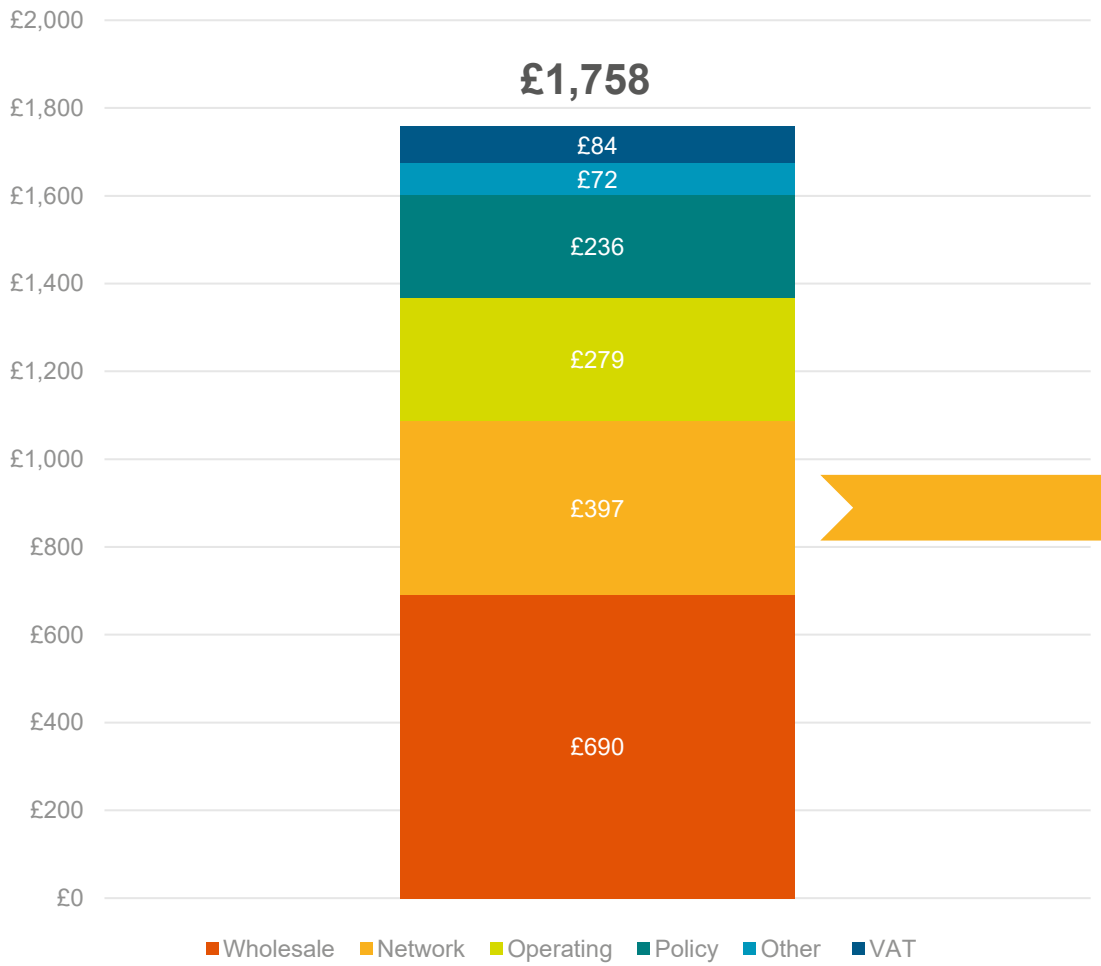
- The announcement at the Budget does this in two ways:
  - Moving 75% of the cost of the Renewables Obligation programme into general taxation.
  - Ending the ECO insulation programme in March 2026.

- **However, other non-wholesale elements on the bill will not remain static or reduce in April.**

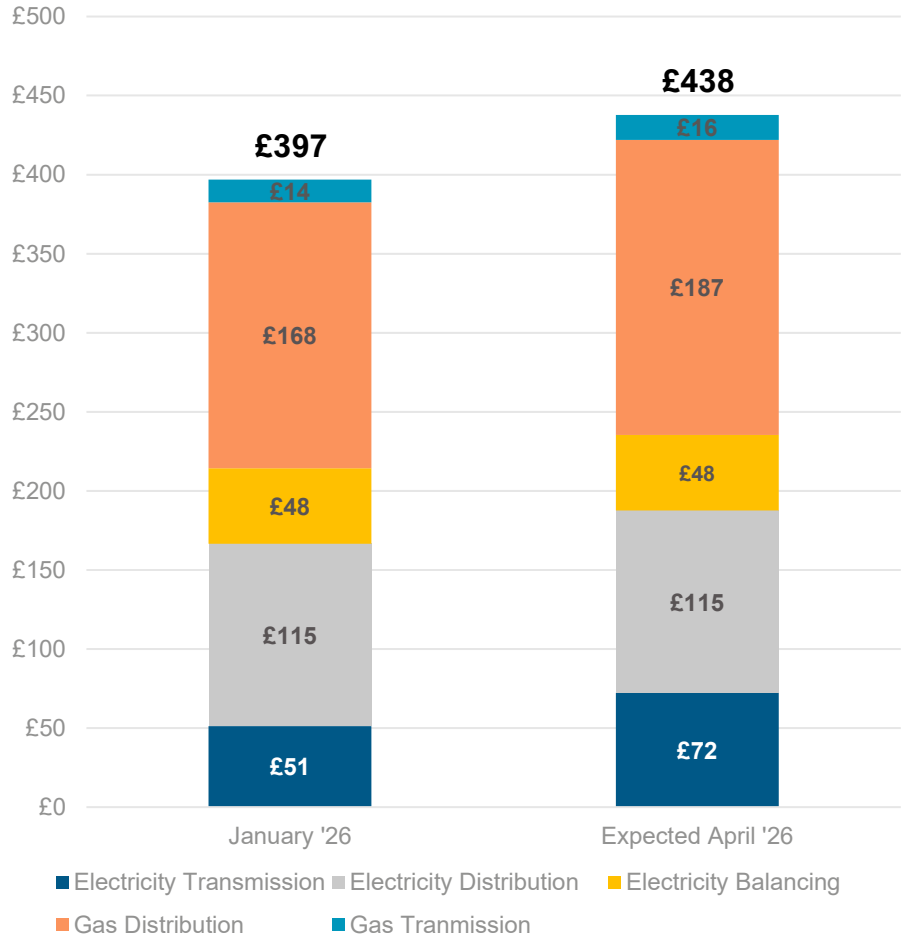


Simultaneously, there is a need for more network investment

January ‘26 price cap



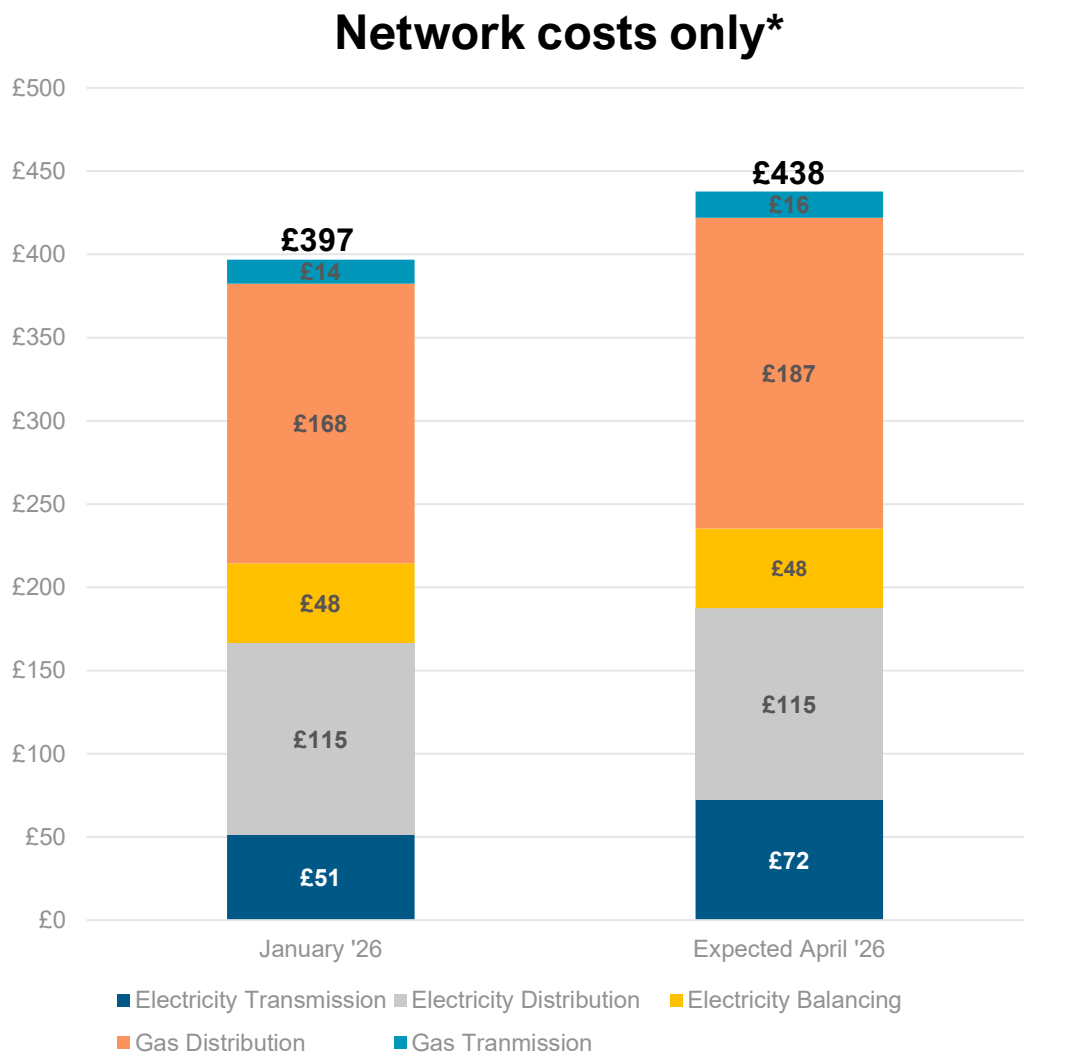
Network costs only*



**Energy UK estimates based on Ofgem RIIO-3 final determinations. Does not account for any other changes, such as inflation adjustments.*

Simultaneously, there is a need for more network investment

- Late last year, Ofgem approved a £24 billion investment programme in gas and electricity networks for 2026-31.
- This investment is critical to upgrading our aging infrastructure - **the largest programme since the 1960s**.
- Regardless of our clean power ambitions, the grid needs to be upgraded to meet the predicted demand of an economy reliant on more electricity.
- The cost of this essential infrastructure is estimated to add around £40 to energy bills in April, with further costs in the 5-year period thereafter.
- **Rising network costs will offset some of the measures from the Autumn Budget.**



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So where does that leave households in April?

- Increased network costs and the final wholesale cost will be crucial to the final sum of savings for the average household.
- The discount is also likely to look vastly different across households depending on energy use and payment methods.
- We have created five customer archetypes* to illustrate how savings may vary across fuel, consumption level, and payment method.

Impact of Changes on Different Household Types (April 2026)

2-bedroom purpose-built flat	Typical 3-bedroom terraced house	Detached house in the Highlands	Large family, semi-detached house	Household with special medical needs
				
Dual Fuel, Prepayment, Low Use	**Dual Fuel, Direct Debit, Typical Use**	**Electricity Only, Direct Debit, High Use**	**Dual Fuel, Standard Credit, High Use**	**Electricity Only, Standard Credit, Very High Use**
Jan 26 Bill: £1,240 Apr 26 Bill: £1,158	Jan 26 Bill: £1,758 Apr 26 Bill: £1,642	Jan 26 Bill: £1,969 Apr 26 Bill: £1,814	Jan 26 Bill: £2,647 Apr 26 Bill: £2,488	Jan 26 Bill: £2,436 Apr 26 Bill: £2,223
Saving: £82 ↓	**Saving: £116** ↓	**Saving: £155** ↓	**Saving: £159** ↓	**Saving: £213** ↓

**Modelled based on January and expected April 2026 price cap taken from EDF's estimate, with Warm Home Discount levy change (shift from standing charge to unit rate) reflected. Final figures subject to change based on the confirmed April price cap.*

Prepayment customers pay less than those on direct debit and standard credit

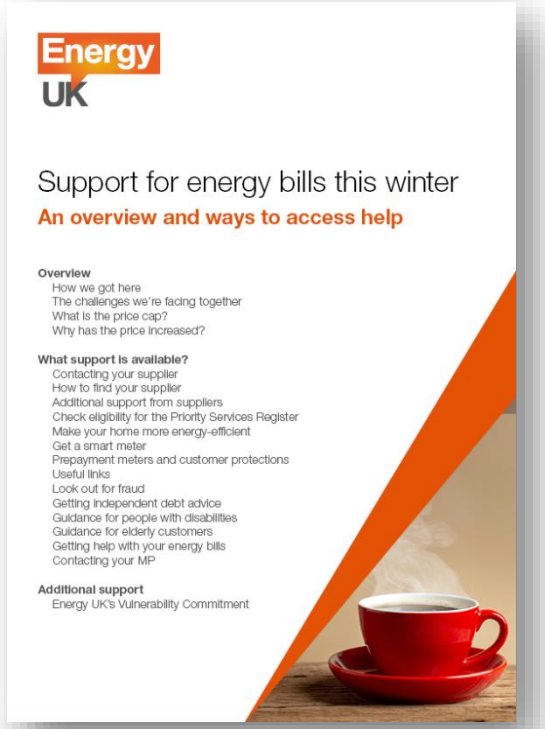
- Standard credit customers **will pay £137 more** than direct debit customers. This is mainly due to a higher debt allowance and other operating costs.
- Prepayment meter customers **will pay £42 less** than direct debit customers. Despite higher operating costs, prepayment customers are charged a lower debt allowance.
- Also, prepayment meter customers benefit from a levelisation mechanism, which ensures they pay the same standing charge as customers who pay by direct debit.

January ’26 vs April ‘26 price cap across payment methods*

**Expected April 2026 price cap taken from EDF's estimate. Price cap breakdown is based on Energy UK analysis*

Support for customers

- While Government efforts are welcome, energy bills remain unaffordable for many households.
- The Government offers an additional £150 Warm Home Discount to vulnerable and low-income households.
- Energy UK's *Support for energy bills* guide was designed to help MPs support constituents struggling with their energy bills.
- Energy suppliers offer a range of support, such as repayment plans, and can help signpost customers to the best sources of independent advice, as well as additional financial support for customers struggling to pay. Often voluntary initiatives, these can amount to hundreds of millions of pounds each winter.



Vulnerability commitment

- Energy UK's Vulnerability Commitment is a set of commitments from energy suppliers to support customers in vulnerable circumstances, over and above existing industry regulations.
- Now in its 6th year, the Commitment has 14 signatories and covers over 95% of homes.
- Showcases supplier action across a wide range of initiatives, from staff training, accessibility improvements, community output, hardship schemes, and data sharing tools.
- The 2025 Good Practice guide highlighted how suppliers are using innovation and data to support vulnerable customers.
- For 2026, the Commitment is expanding its scope to cover a bigger focus on debt and affordability and facilitate more collaboration across the sector, both between suppliers and external stakeholders.