

Explaining the July 2026 price cap

The impact of the Iran conflict on bills

May 2026



Energy UK: The voice of the energy industry



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.



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.



Energy networks and infrastructure

We represent National Grid Electricity Transmission, parties delivering independent energy network infrastructure and those developing and operating heat networks and public EV charging.



Consultancies

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



Charities

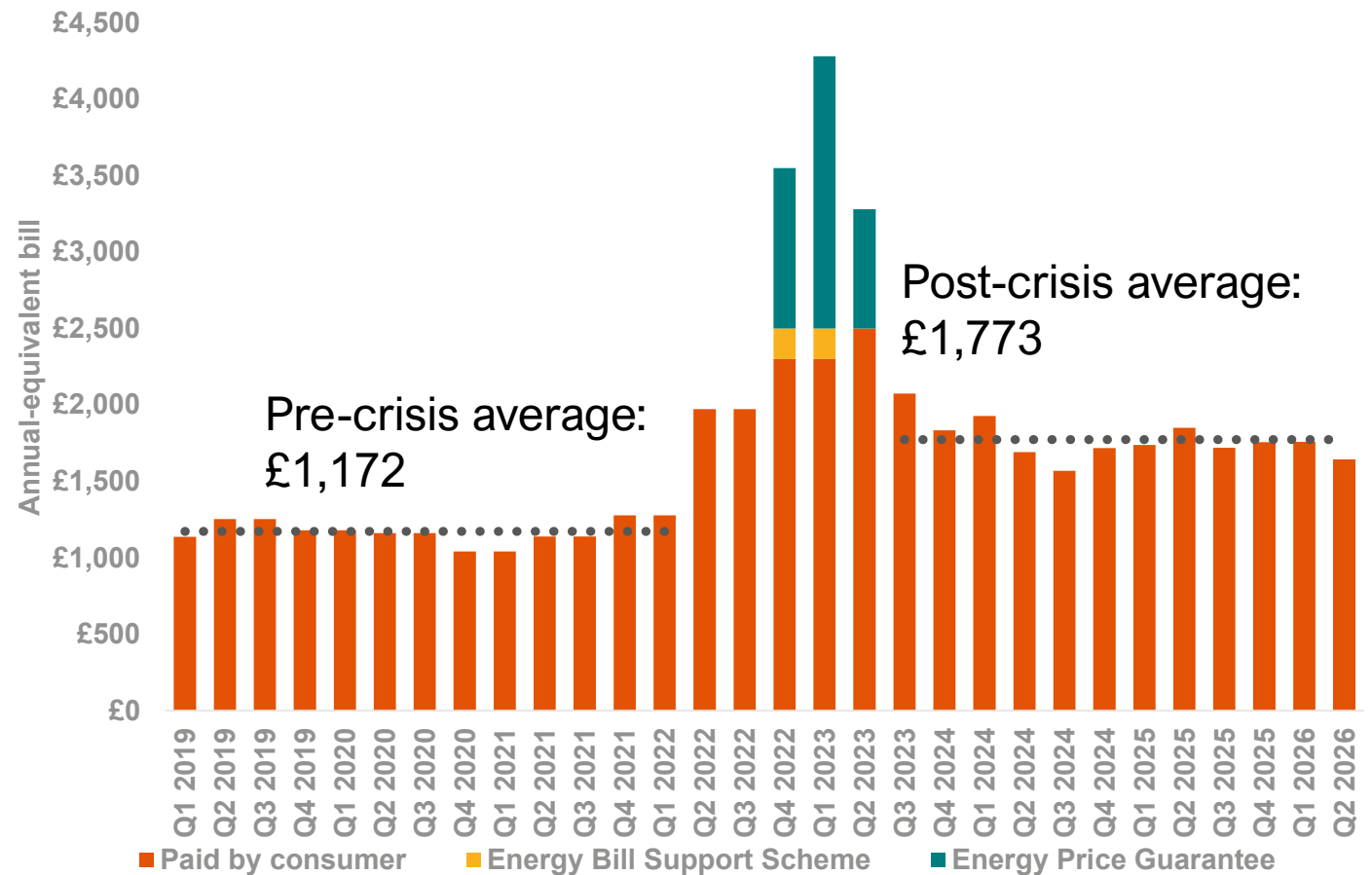
Having organisations that have consumers at their heart as part of our membership ensures our advocacy work always considers how it will affect the people that use energy.



Energy bills remain higher than pre-crisis average



- The typical household pays around £600 more than it did pre-crisis. This is on top of wider cost of living pressures.
- The typical annual dual-fuel bill is now around 50% higher than in Q1 2021.
- Wholesale costs account for 40% of the typical annual dual-fuel bill.
- 60% of the increase in household bills since Q1 2021 is driven by an increase in wholesale prices.
- Total energy debt including arrears owed is [likely to hit £7 billion by the end of the year](#).

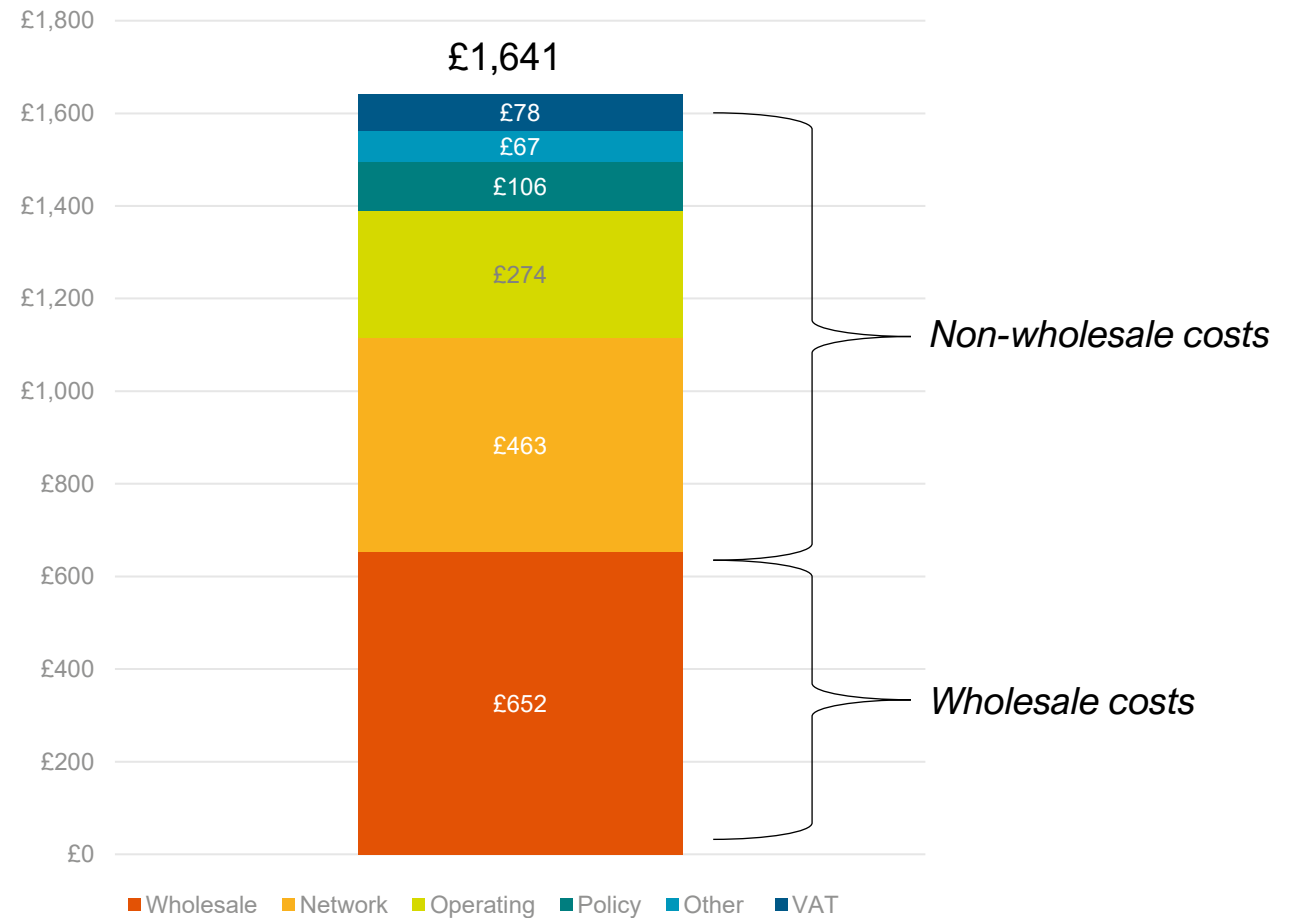


Breaking down an energy bill



- 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. They are recovered through levies on energy bills rather than general taxation as in countries like Denmark and Germany.

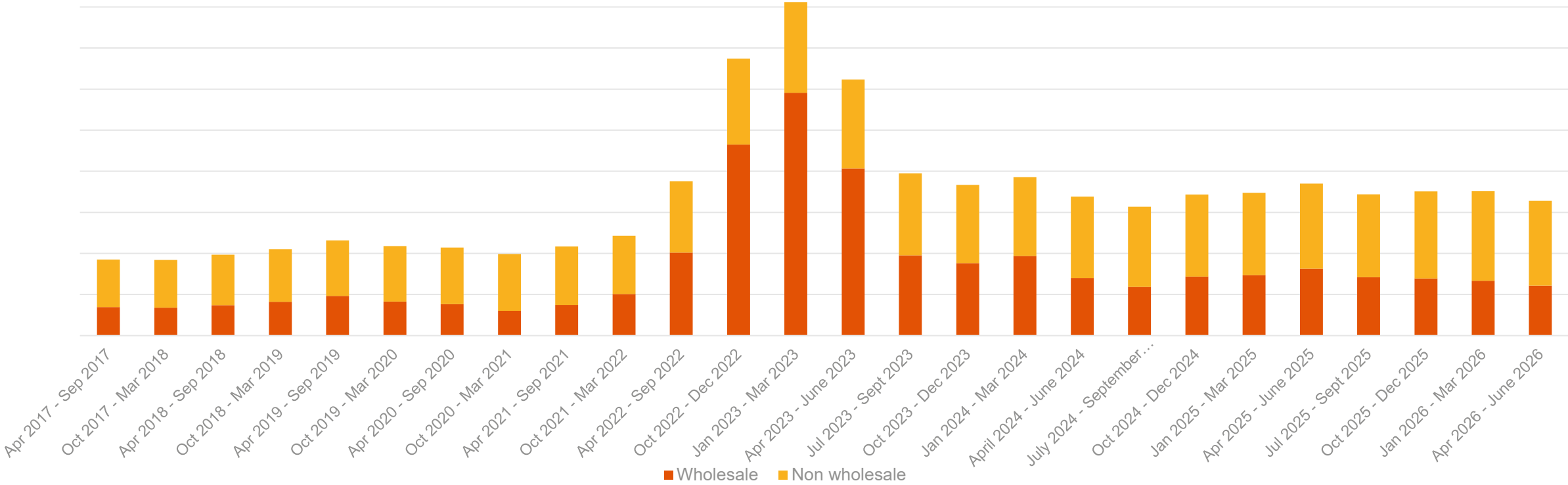
April '26 price cap (for typical dual-fuel, direct debit household)



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



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



- Despite a stability in prices over the past three years, there is an increasing proportion of non-wholesale costs on the bill over the last five quarters.
- Non-wholesale costs are mostly recovered on the standing charge, although some of it is distributed onto the unit rate (i.e., recovered volumetrically – based on usage)

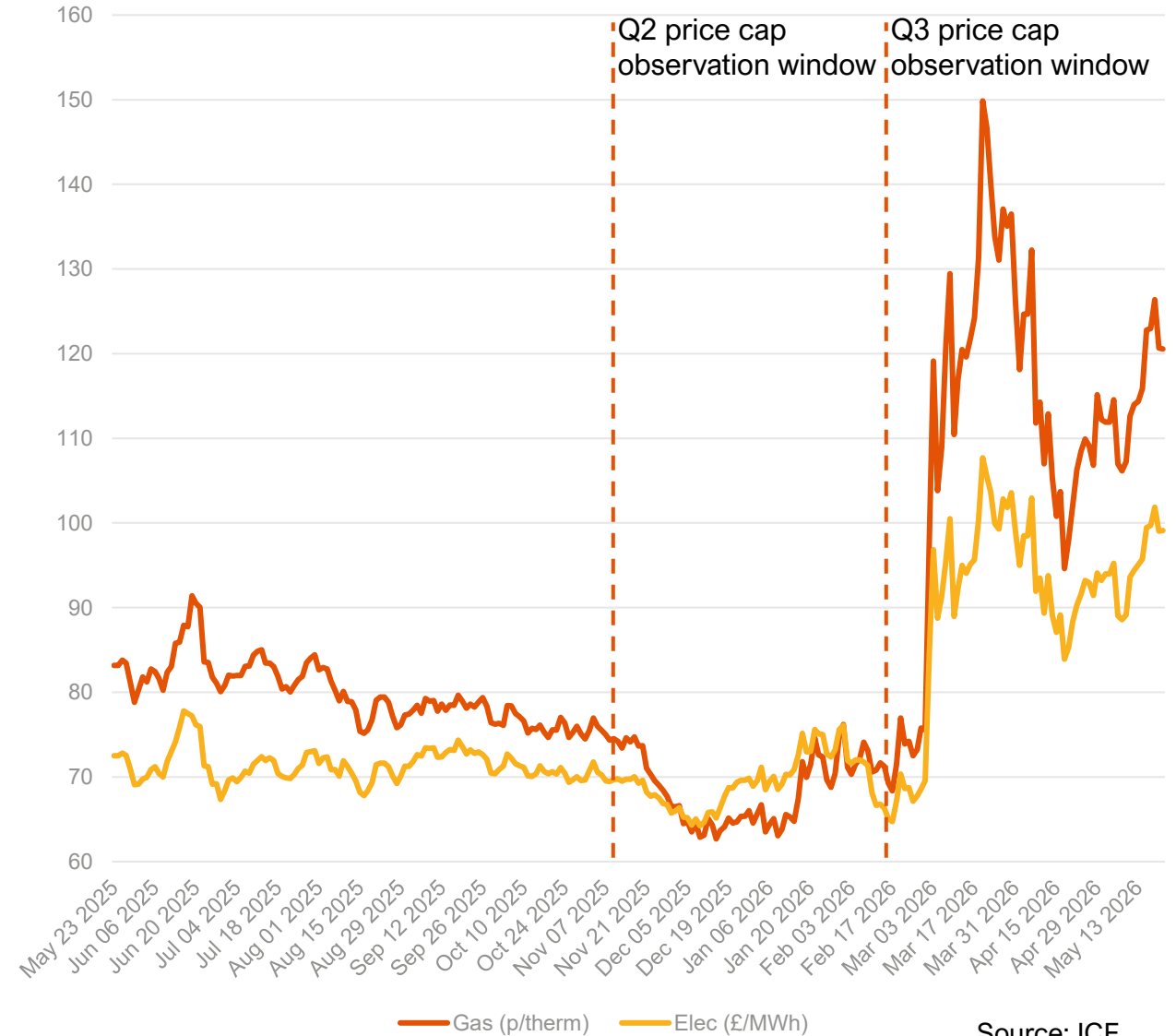
The start of the year has seen significant volatility in international gas markets

The biggest factor for whether the price cap goes up or down is usually due to the movement of **wholesale costs**, and this is particularly true for the July 2026 price cap.

The UK gas market is fully integrated into international and European markets, meaning wholesale prices we pay track global gas prices and are heavily influenced by events beyond the UK border.

While the second half of 2025 was relatively steady for the price of gas, the first half of 2026 has experienced significant volatility in early January and throughout late-February and into May due to the conflict in Iran.

This average price of gas has been 25% higher (+23p/therm) over the past three months compared to 2025.



And the way Ofgem calculates the price cap is changing



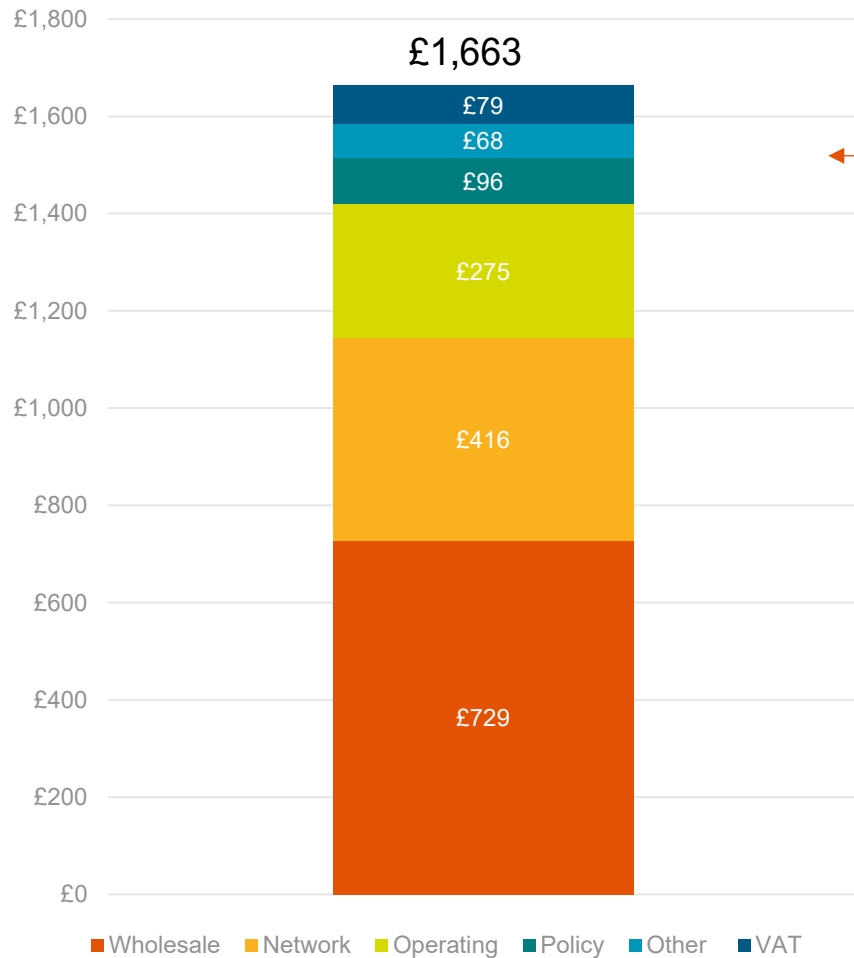
- To calculate the price cap and make sure that energy suppliers can offer like-for-like tariffs, Ofgem estimates the energy use for a ‘typical’ household. This is called Typical Domestic Consumption Values (TDCVs).
- This figure is reviewed every few years and is proposed to be updated for the July price cap.
- Ofgem plans to reduce the TDCVs due to declining household energy use. This is down to several reasons, including energy efficiency improvements, growing solar and battery adoption, and households reacting to higher prices.
- The plan was confirmed by Ofgem alongside the price cap announcement on the 27th May.
- This means **the price cap does not appear as high** as announced but this is because of the way energy consumption is calculated.
- As a result of TDCV changes, the headline price cap will only increase by around 1%. However, comparing like for like consumption, using the current or proposed new TDCV, the price cap will rise by 13%.

Headline price cap	April – June	July – September
Current TDCV	£1,641	£1,862
Proposed New TDCV	£1,490	£1,663

Breaking down the July – September price cap



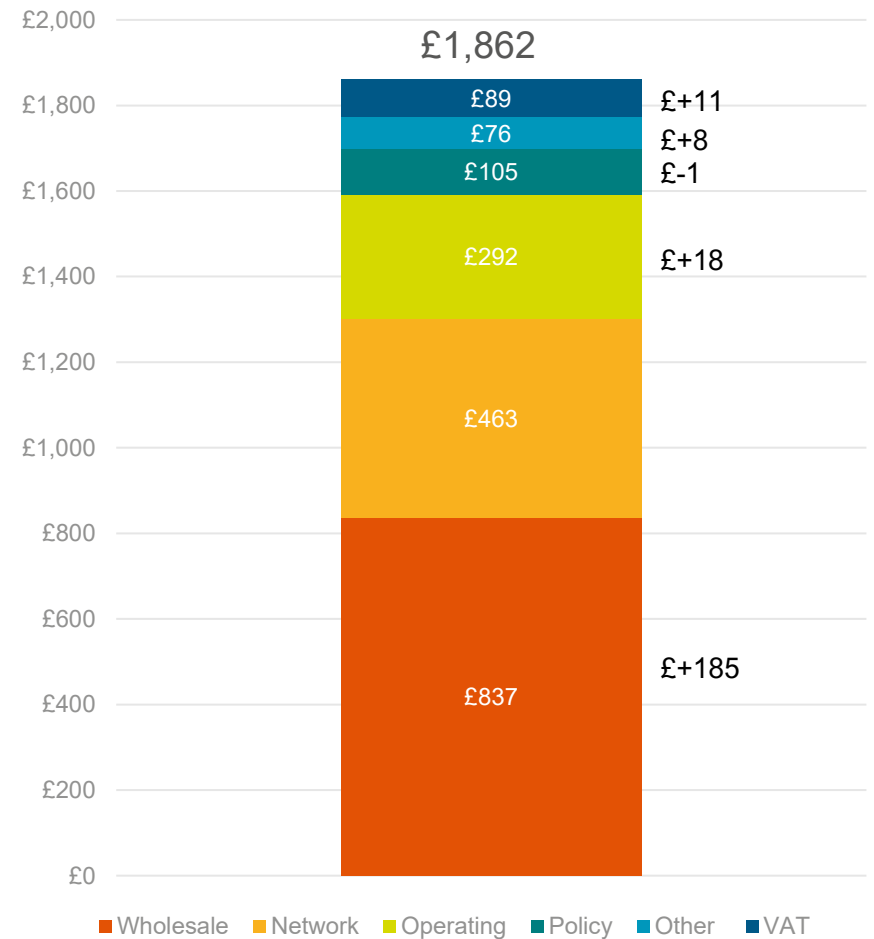
July '26 price cap **with TDCV changes** (for typical dual-fuel, direct debit household)



This is the new headline price cap breakdown

This breakdown compares with the previous price cap

July '26 price cap **without TDCV changes** (for typical dual-fuel, direct debit household)



Energy suppliers offer various ways to help and should always be the first place to call



- While Government efforts to reduce bills are welcome, they remain unaffordable for many households.
- The Government offers an additional £150 Warm Home Discount to vulnerable and low-income households.
- Energy UK's [additional support for customers page](#) (right) was designed to outline the places where people can get support 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.

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More about us

The Energy UK 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 15 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.
- 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.



How to bring down bills and improve energy security



Household energy bills in Great Britain are high largely due to two main factors:

1. Gas prices, which are set on international markets and can spike due to geopolitical events
2. Successive governments have chosen to fund policies through energy bills, unlike other countries

Therefore, to bring down bills in the long-term:

1. Reduce the amount of time gas sets the price, by building more clean energy
2. Move policy costs off electricity bills

Electrification of heat and transport will also help to bring down bills, and improve energy security

- The more users of the electricity system, the more fixed costs are shared, lowering bills for all
- Great Britain uses more gas for heating than many other countries. Replacing gas boilers with clean heat (eg heat pumps and heat networks) will reduce our exposure to international events
- Moving to electric cars (Evs) will also help to spread fixed costs, and boost flexibility by using EV batteries to support system stability. New EVs are now cheaper to buy than new petrol cars, and are much cheaper to run.

EV: 3-8p/mile Petrol: 13-17p/mile

Did you know...

- Wind power has already helped to lower the wholesale cost of electricity by nearly a third ([in 2025, ECIU](#))
- On 22 April 2026, the grid was the cleanest it's ever been – 98.8% clean energy, 1.2% gas ([NESO](#))
- April 2026 saw four consecutive solar records, thanks to a huge boost in March. On average in GB, a new rooftop solar system was installed every three minutes in March! ([NESO](#), [DESNZ](#))
- Wind and solar have saved the UK from gas imports worth £1.7bn since the start of the Iran war ([Carbon Brief](#))

Non-domestic (business) energy costs



The UK's leading business and energy trade bodies have [joined forces on a programme of policy and economic analysis](#) to examine how rising energy costs are influencing future investment decisions in the UK, assess funding models for essential energy infrastructure, and explore how government can reshape energy policy to better support both key industrial sectors and the everyday economy.

- First report has been published
- A cross-economy taskforce is now working on a second report, due to be published in July. If you are interested contact press@energy-uk.org.uk

The taskforce includes:

- AstraZeneca
- BT
- Centrica
- DHL
- EDF
- E.ON
- HSBC
- JLR
- KPMG
- PwC
- SSE
- Tim Leunig (Public First, Nesta, LSE)
- Tesco

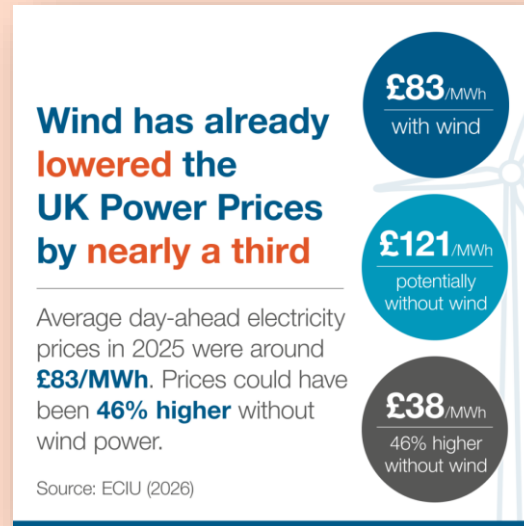


Keep up to date on how energy prices might impact customers

Stay up to date with the latest insight and explainers:



[Find out more about how the conflict in the Middle East could affect GB energy prices, bills and supply.](#)



[UK Energy Transition: Supporting statistics and evidence](#)



[Bring Down Bills – Energy UK's positions, solutions and policy tracker](#)

Contact our team for any policy or casework assistance at mpsupport@energy-uk.org.uk