

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

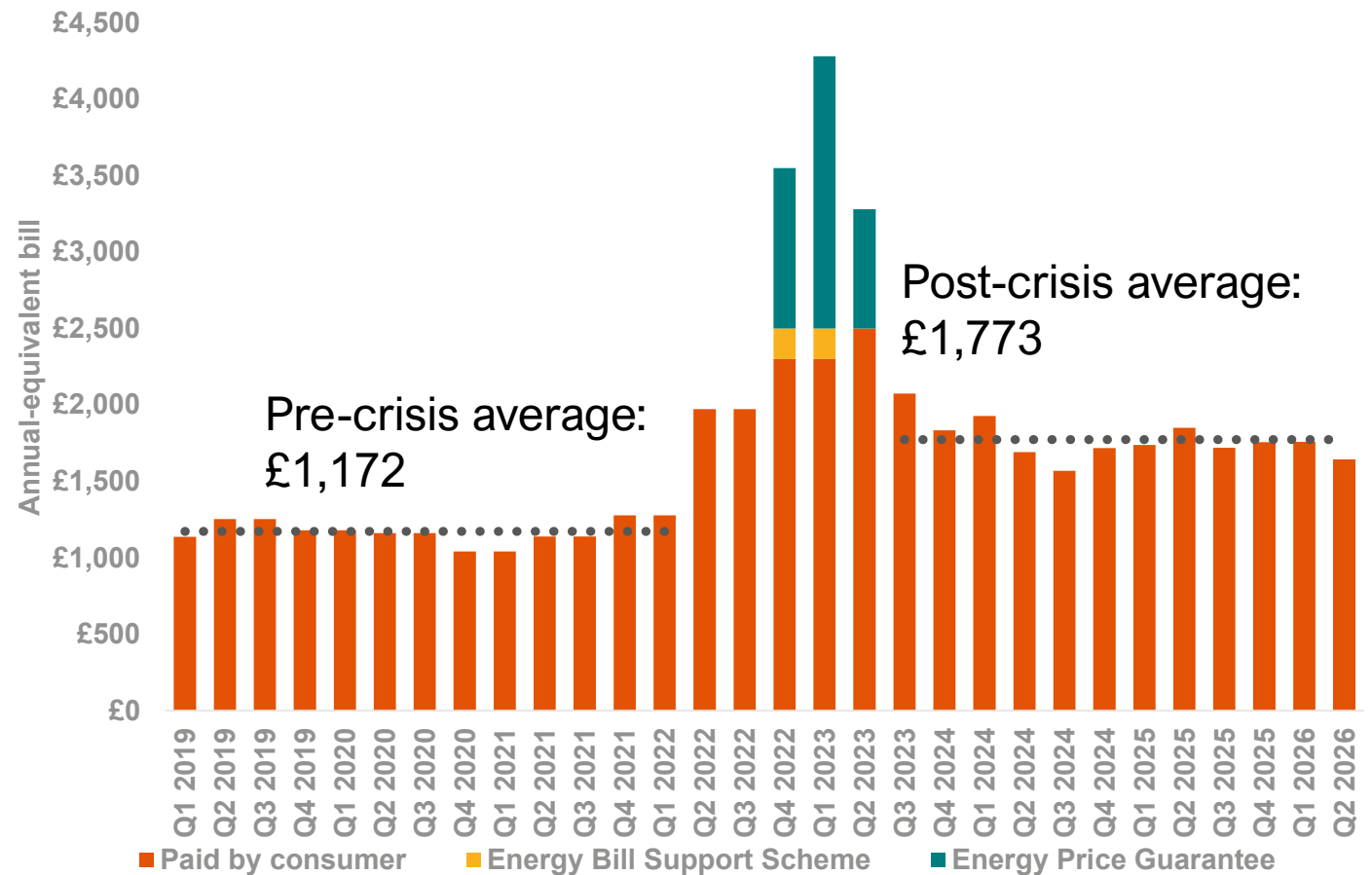
Having organisations that have consumers at their heart as part of our membership ensures our advocacy work always considers how it will affect the people that use energy.



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](#).

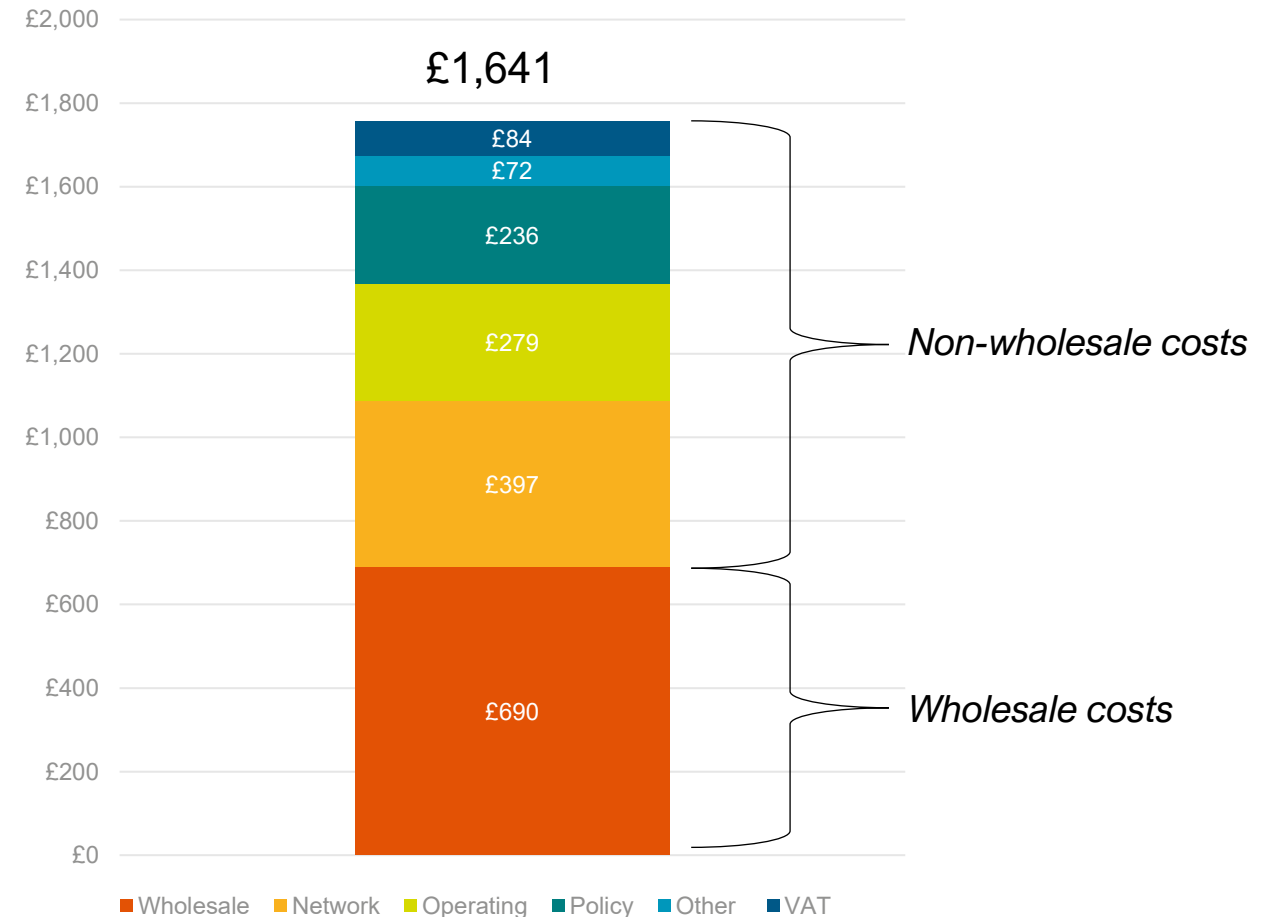


Breaking down an energy bill



- 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.

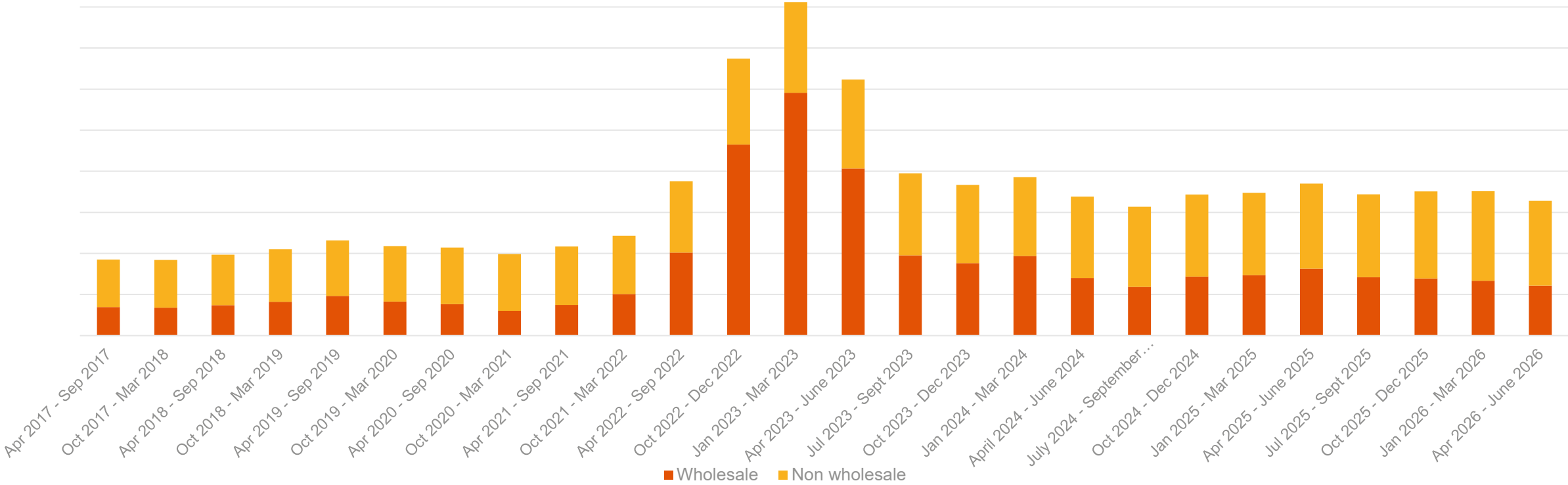
April '26 price cap (for typical dual-fuel, direct debit household)



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 price of gas has seen significant rise for the first half of 2026



Latest forecast predicts the price cap will reach £1,850, an increase of £209 from the current level.

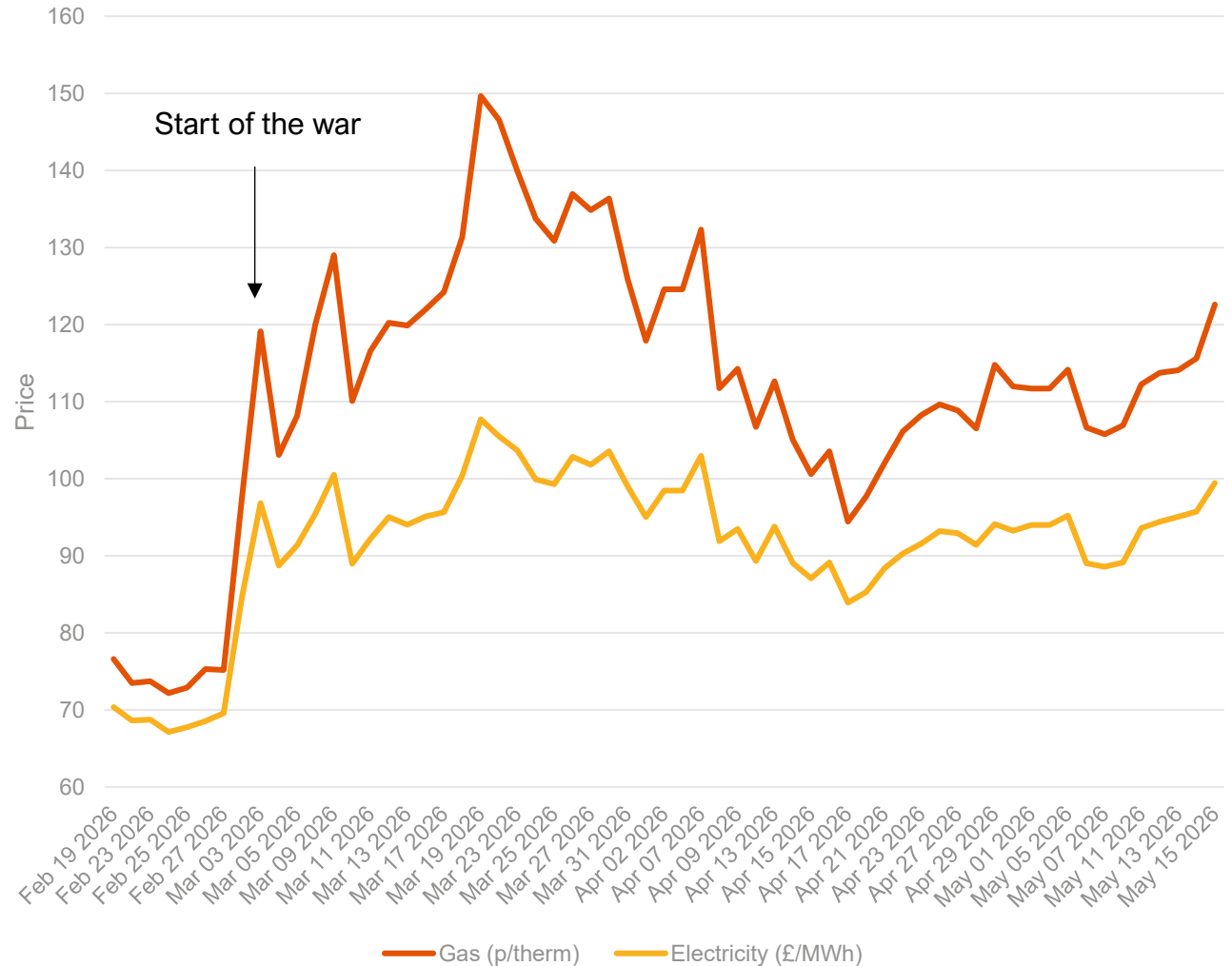
The biggest factor for whether the price cap goes up or down is usually due to the movement of **wholesale costs**, and this is particularly true for the July 2026 price cap.

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.

Ofgem will announce the July price cap on the 27th May.



But 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 sets the energy use for a typical household. This is called Typical Domestic Consumption Values (TDCV).
- This figure is reviewed every few years and is next updated for the July price cap.
- The updated TDCV will be lower than previous years due to lower household energy use. This could be due to several reasons, including energy efficiency improvements and households using less because of high prices. This will be confirmed when Ofgem publishes its updated TDCV shortly.
- This means **the price cap may not appear as high** as previously predicted but this is because of the way energy consumption is calculated. But, for unchanged level of consumption, **it will still be around a 14% increase**.
- The unit rate will increase for all levels of consumption. This is because there are fixed costs that are charged on unit rate.
- The below illustrates how this could impact the price cap (based on price cap for Q2 2026):

Profile	Fuel(s)	Consumption level	Payment method	Apr-26 current TDCV	Apr '26 new TDCV	Increase	% increase
2-bedroom purpose-built flat	Dual fuel	Low	Prepayment	£1,161	£1,170	£9	0.8%
3-bedroom terraced house	Dual fuel	Typical	Direct debit	£1,642	£1,656	£14	0.8%
Detached house in the Highlands	Electricity only	High	Direct debit	£1,754	£1,771	£17	1.0%
Large family, semi-detached house	Dual fuel	High	Standard credit	£2,470	£2,491	£21	0.8%
Household with special medical needs	Electricity only	Very high	Standard credit	£2,167	£2,188	£21	0.9%

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.



Keep up to date on how energy prices might impact customers

- More can be done to reduce energy bills for households and businesses.
- Explore our work via the QR code (right) and support our campaign and call on Government to #BringDownBills.
- Stay up to date with the latest insight and explainers on energy prices on the homepage of our website (below).

Energy
UK

Bring Down Bills



#EUKExplains

How could the situation in the Gulf impact energy prices?

Events in the Middle East have created volatility in the international gas market, leaving many people wondering what this means for energy supply and energy bills.

Our 'Middle East Conflict and Energy' hub breaks things down clearly and provides up-to-date insight to help you understand what's happening – and what to expect in the months ahead

Latest insights: Middle East conflict and energy >



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