

# Warning as energy prices forecast to rise past £4,200 in January

Energy prices are expected to rise to the equivalent of £4,266 for a typical household in January 2023, according to a consultancy.

Cornwall Insight is predicting a rise of £650 for households in England, Scotland and Wales compared with an estimate it released last week.

The firm cited regulator Ofgem's decision to change the price cap every three months instead of six and higher wholesale prices for the move.

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Its forecasts for the October 2022 cap have also seen a rise, going up by over £200, and with predictions for an average bill now sitting at £3,582.

In a statement, Cornwall Insight said: "The increase in our forecasts since last month reflects both the increase in the wholesale market in the intervening period and – crucially in the case of the Q1 2023 (Jan-Mar) and Q2 2023 (Apr – Jun) forecasts – a change in calculation methodology set for finalisation by Ofgem.

"In its initial proposals from May, the regulator stated that an element of supplier costs associated with wholesale market hedging would be explicitly included within the cap methodology and would be recoverable over a 12-month period.

"However, in the consultation documents released last week, it was confirmed that these costs would be recoverable over a

six-month period – resulting in higher bills than previously forecast for the crucial January cap.

“We note Ofgem’s concerns in agreeing to the application and structure of these additional backwardation costs, as these reflect the suppliers’ wholesale energy trading requirements and recovery of these is essential to help avoid more supplier failures.

“If the wholesale market remains unchanged, this change in methodology should result in lower bills in the second half of next year than we had previously forecast.

“These new forecasts for the January to March 2023 quarter further underline the need for support for households who will struggle to pay their energy bills this winter.”

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