

Shielding households from high energy bills set to cost Government £5bn a month

The price the [Government](#) will pay to shield households from enormous energy bills will more than double in the new year to around £5 billion a month after [Ofgem](#) raised its price cap.

The decision will not increase the amount consumers have to pay to use gas and electricity.

But it will force the [Treasury](#) to pay 33p per unit of electricity and nearly 7p per unit of gas that homes across [Great Britain](#) use.

This will push up the cost of running the Government's energy price guarantee from £7.8 billion in the last three months of 2022 to £15.1 billion in the first three months of next year, according to estimates by energy consultancy Auxilione.

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It is set to add to the massive strain faced by the public purse in coming months due to soaring gas prices.

Last week the [Office for Budget Responsibility](#) estimated it could cost £6.5 billion to deal with the fallout from failed supplier Bulb Energy, which collapsed a year ago.

Without the Government's support, bills for the average household would be 67p per unit of electricity instead of 34p, and 17p per unit of gas instead of 10.3p.

The average household bill would have reached around £4,279 per year, instead of the £2,500 that they will now pay due to the Government support.

The Government support will become less generous from April when average households will start paying £3,000.

That figure is for households that use an average amount of energy. Households that use more will pay more, and those using less will pay less.

"There is no immediate action for consumers to take as a result of today's announcement," Ofgem said on Thursday.

In the past the price cap has regulated how much a household pays for its gas and electricity. But the cap is set based on what it costs energy suppliers to buy gas and electricity on wholesale markets.

The news that the energy price cap will hit £4,279 from January will be hugely worrying for consumers but they should remember that their bills are protected against this price increase by the Government's energy price guarantee scheme

As gas prices soared in the last two years, the cap has therefore had to rise from a little over £1,100 just 14 months ago to the record-setting amount due to be implemented from January.

The cap still regulates how much suppliers get paid for the energy that their customers use, but the customers share part

of the bill with the Treasury.

The cap therefore has no impact on households, but does affect Government finances.

It means the Government will pay around 33p every time someone uses their oven for half an hour or an electric shower for six minutes, according to estimates from energy supplier Ovo.

Rocio Concha, director of policy and advocacy at Which?, said: "The news that the energy price cap will hit £4,279 from January will be hugely worrying for consumers but they should remember that their bills are protected against this price increase by the Government's energy price guarantee scheme."

She added: "Which? is also concerned that hundreds of thousands of customers on traditional prepayment meters have not yet claimed the government support that is available.

"Energy firms and the Government must work to understand why so many Energy Bill Support Scheme vouchers have not yet been redeemed, and ensure that customers on these prepayment meters – who are more likely to be vulnerable and on lower incomes – are able to access this vital support."

Energy consultancy Cornwall Insight said the price cap is likely to remain high from April, at a little over £3,900 for the average household.

It means the Government could end up paying around £42 billion over the 18 months it has promised to support households with their energy bills, despite the support becoming less generous from April.

Principal consultant Craig Lowrey said: "This highlights the nature of the wholesale market risk that the Government is taking on by deciding to extend the EPG for longer than the March 2023 date announced by the Chancellor in October, with the consequence that the full costs may be potentially higher

than currently budgeted for.

“Extending the EPG, even at an elevated level, has resulted in the Government being exposed to variables and factors over which they crucially have no control. The risk is reduced by changing the level of support but remains acute.

“With Cornwall Insight predicting energy prices will remain above historic levels for many years to come, one thing is clear: more targeted support for the most vulnerable is likely to be needed on an enduring basis if the Government wants to protect consumers while also stabilising its finances.”