

# Energy price cap expected to rise by £830 to £2,800 in October, says Ofgem chief

The UK's energy price cap is expected to rise in October to around £2,800, Ofgem's chief executive says.

The cap which applies until 31 September is currently £1,971 a year – and that amount was a 54% or £693 rise from the previous cap six months earlier.

Ofgem chief executive Jonathan Brearley told the Business, Energy and Industrial Strategy Committee that in October it will be “in the region of £2,800”.

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He said: “I'm afraid to say conditions have worsened in the global gas market, with Russia's invasion of Ukraine.

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“Gas prices are higher and highly volatile.

“At times they have now reached over 10 times their normal level.

“I know this is a very distressing time for customers but I do need to be clear with this committee, with customers, and with the government about the likely price implications for October.

“Therefore, later today, I'll be writing to the chancellor to give him our latest estimate of the price cap uplift.

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“This is uncertain, we’re only part-way through the price cap window, but we’re expecting a price cap in October in the region of £2,800.”

He added: “Our future scenarios when we look beyond that, we’re really managing between two extreme versions of events: one where the price falls back down to where it was before – for example if we did see peace in Ukraine – and one where prices could go even further if we were to see, for example, a disruptive interruption of gas from Russia.”

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Mr Brearley described the current situation as “genuinely a once-in-a-generation event not seen since the oil crisis of the 1970s” but this will be little comfort to people in the UK already dealing with rises in food, fuel, and taxes.

## **Analysis by economics editor Ed Conway**

The chancellor has already intervened – for some households, you’ll see those bills reduced by about £350 – but even that will still see bills at the highest level we’ve seen since the 1950s.

That’s why there is a lot of pressure on Rishi Sunak to do more, and my understanding is the Treasury is looking at it, they’re ready to do something.

But as for when they make that announcement and as for how much, and what comes alongside it, whether there’s going to be windfall taxes on oil and gas producers – we’ll have to see.

They're thinking about all of this at the moment and potentially looking to introduce something as soon as maybe June, maybe July.

Even so, you're talking about increases in the amount we spend on these things you just can't get away from spending on, and that will exacerbate the cost of living crisis.

Shadow Chancellor Rachel Reeves wrote on Twitter: "This will cause enormous worry for families already facing soaring bills.

"How many more alarm bells do the Conservatives need before they act?

"We need an emergency budget now, with a windfall tax on oil and gas producer profits to lower bills."

All the major energy suppliers saw their shares fall as the prospect of higher prices makes a windfall tax look more likely – Centrica (owners of British Gas) was down 9%, Scottish Power owner Iberdrola was down 1.6%, E.ON lost 2.3%, SSE fell 6.7%, and EDF lost 2.5%.

Earlier this month, the energy regulator said the price cap – the mechanism that sets a limit on the maximum amount suppliers can charge for gas and electricity and on the daily standing charge – could soon be reviewed every three months, instead of every six months.