

# 'Very challenging winter ahead' Ofgem says as it confirms quarterly update of energy price cap

Ofgem has confirmed that the energy price cap will be updated quarterly, rather than every six months, also warning that households face a "very challenging winter".

The energy regulator said that being able to update the energy price cap more often would provide stability in the energy market and reduce the risk of energy companies going bust.

Dozens of suppliers have gone bust in the past year alone, something that has added to customer bills and resulted in criticism of Ofgem for not being tough enough on unfit firms.

The next price cap level will be published at the end of August and, although updating the cap more often will mean that customers will benefit more quickly if prices fall, that is not likely to happen in the near future.

This week, energy consultancy Cornwall Insight forecast that the cap would hit £3,359 per year from October for the average household, and not fall below that level until at least the end of next year.

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The price cap on energy bills, which regulates what 24 million British households pay, will hit £3,616 from January and rise further to £3,729 from April, it said.

It will begin to fall slowly after that, reaching £3,569 from July before hitting £3,470 for the last three months of 2023.

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In October last year, the cap was £1,277.

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Ofgem chief executive Jonathan Brearley blamed Russia's invasion of Ukraine for rocketing wholesale energy prices.

He said: "I know this situation is deeply worrying for many people. As a result of Russia's actions, the volatility in the energy markets we experienced last winter has lasted much longer, with much higher prices than ever before.

"And that means the cost of supplying electricity and gas to homes has increased considerably."

The UK imports only about 4% of its gas from Russia, but lower Russian supply to Europe means that competition is intense, pushing prices higher.

'Extremely difficult' trade-offs

Mr Brearley added: "The trade-offs we need to make on behalf of consumers are extremely difficult and there are simply no easy answers right now.

"Today's changes ensure the price cap does its job, making sure customers are only paying the real cost of their energy, but also, that it can adapt to the current volatile market.

"We will keep working closely with the government, consumer groups and with energy companies on what further support can be provided to help with these higher prices."

'Increased misery and huge anxiety'

National Energy Action director of policy and advocacy Peter Smith said: "January is also usually a time of increased mental health problems and further hikes in bills will sadly lead to increased misery and huge anxiety for energy consumers across Great Britain, particularly for the poorest households.

"It's disappointing that Ofgem has not listened to these concerns. They could have used their discretion to offset this avoidable outcome by starting the reforms in April when energy

demand starts to fall.

“This change also strengthens the growing calls for deeper price protection for the poorest households, something Ofgem can and must help support.”

Government’s financial support ‘may not be enough to keep many afloat’

Gillian Cooper, head of energy policy at Citizens Advice, said: “Something that’s added to all our bills is the cost of supplier failures. Changing to a quarterly price cap should limit the risk of any more suppliers going bust, which is a good thing. But our bills are already incredibly high and still rising.

“The government was right to bring in financial support for people, but it may not be enough to keep many families afloat. It must be ready to act again before winter draws in.

“Ofgem must make sure suppliers are helping customers who are struggling to pay. It should hold energy companies to account so people aren’t chased by debt collectors or pushed onto prepayment meters when they can’t keep up with bills.”