

Energy price cap blog

Ofgem has confirmed that the energy price cap will rise slightly for the first quarter of 2026, affecting around **34m households** currently on standard variable or default tariffs. While the increase is modest, many households are still feeling the pressure of higher living costs overall, so understanding what the change means and how to keep bills down is important.

From January to March 2026, the price cap will increase by **0.2%**, taking the average dual-fuel bill for a typical household paying by direct debit to **£1,758 per year**. This represents an increase of around 28p per month, or £3.36 a year, compared with the final quarter of 2025. The rise follows a slightly larger increase of 2% applied between October and December.

It's not all bad news. Year-on-year, the new cap for January is still 2% lower than the same period in early 2025 which is an equivalent to a £37 annual reduction for the average household. Ofgem has also noted that wholesale energy costs have remained relatively stable, falling by 4% over the last three months. The underlying driver of the increase this time is a mix of government policy and operating costs, including funding allocations for the Sizewell C nuclear project.

Understanding the new unit rates

From January 2026, electricity will be priced at 27.69p per kWh, with a daily standing charge of 54.75p. Gas will fall slightly to 5.93p per kWh, though its daily standing charge will rise to 35.09p. The price cap limits the cost of each unit of energy and the daily standing charge, not the total bill. This means what you pay will still depend heavily on how much energy your household uses.

It's also worth noting that the cap only applies in England, Wales and Scotland; Northern Ireland has its own separate energy regulator.

Should you consider switching or fixing?

With millions still on standard variable tariffs, many households could reduce their bills by switching to a fixed deal. Fixed tariffs can offer certainty because you pay the same unit rate for the duration of the contract. However, they aren't always cheaper, especially if wholesale prices fall. They also usually come with exit fees if you choose to leave early.

Comparison websites such as Go.Compare, MoneySuperMarket and MoneySavingExpert.com remain effective tools for assessing whether a fixed deal could save you money.

Additionally, Ofgem estimates that households paying by standard credit could save around £136 a year by switching to Direct Debit, which typically offers the lowest rates.

Simple ways to reduce your energy costs

Even small behavioural changes can have a meaningful impact on your annual energy spend. Checking your home for draughts, optimising heating schedules, using energy-efficient bulbs and appliances, and

avoiding standby mode can all help reduce consumption. Many providers also offer free or low-cost energy-saving tools and personalised usage reports.

Final thoughts

Although the January price rise is relatively small, the cumulative effect of frequent changes can be hard to navigate. Understanding how the price cap works, and knowing the levers you can pull to reduce your costs, can help you feel more in control of your household budget.

Source: [Ofgem: Energy bills to rise by 0.2% in January 2026 | MoneyWeek](#)