

1 December 2022

Supplementary forecast information release

Ofgem price cap forecast

- 1.1 The OBR is releasing this information following a request for further detail on the forecasts in our November 2022 *Economic and fiscal outlook (EFO)* in respect of the *Energy Price Guarantee: support for households through a cap on the unit rate of electricity and gas* policy measure ('the EPG'), originally announced on 9 September, with updated parameters set out in the Autumn Statement on 17 November. We will, as far as possible, meet any requests to release supplementary forecast information where this will improve the quality of public debate on the public finances. Our full release policy is available on our website.
- 1.2 The EPG was costed based on the difference between quarterly household energy costs under the guarantee (which are capped at £2,500 annualised for a typical household across the final two quarters of 2022-23 and at £3,000 across the four quarters 2023-24) compared to those based on a forecast for the Ofgem price cap in the absence of intervention based on market expectations for wholesale gas prices over the 10 working days to 4 November (consistent with the window underpinning our wider fiscal forecast). Table 1.1 shows this path for the Ofgem price cap, split by its components. On 24 November, Ofgem announced that the cap for the final quarter of 2022-23 will be set at £4,279, fractionally higher than the assumption upon which our EPG cost estimate was based.¹
- 1.3 The EPG operates on a unit cost basis, so the eventual cost of the measure relative to the assumed cost in our November forecast will be influenced by two main factors. First, the difference between the path for the Ofgem price cap assumptions in Table 1.1 and what actually prevails (for which wholesale gas prices provide the key source of uncertainty). Second, the volume of gas and electricity consumed while the cap is in place (for which the extent of consumers' responses to higher prices is a key source of uncertainty).

Table 1.1: Ofgem price cap assumptions for November 2022 EPG costing

	£					
	Outturn	Forecast				
	2022Q4	2023Q1	2023Q2	2023Q3	2023Q4	2024Q1
Ofgem price cap	3,549	4,245	3,840	3,296	3,375	3,510
of which:						
Gas	1,875	2,146	1,969	1,801	1,814	1,854
Electricity	1,674	2,098	1,871	1,495	1,561	1,656

¹ Ofgem, *Latest energy price cap announced by Ofgem*, 24 November.