

UK unveils energy price cap to help 11 mn households

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The energy price cap would save consumers a total of £1.0 billion annually

Britain's energy watchdog on Thursday proposed a temporary price cap on gas and electricity that could benefit 11 million households, notably the most vulnerable exposed to excessive cost hikes.

Ofgem's proposal, that follows recent government legislation, calls for an initial annual ceiling of £1,136 (\$1,468, 1,263 euros) for households using both gas and electricity.

"Over 11 million more households on poor value default tariffs would be protected from being overcharged under proposals announced by Ofgem," the regulator said in a statement.

"Ofgem is working to have the cap in place by the end of the year," it added.

Britain's privatised domestic [energy](#) sector, run largely by UK group Centrica and eurozone-based companies, has faced criticism over default high tariffs that punish customers who for various reasons do not seek out a better deal by switching provider.

"When the [price cap](#) is introduced suppliers will have to cut their [prices](#) to the level of or below the cap, proposed to be £1,136 per year for a typical dual fuel customer" whose pay monthly from their bank accounts, Ofgem said Thursday.

The limit would save consumers using a typical amount of gas and electricity about £75 per year on average—and in total some £1.0 billion annually.

"Ofgem has made full use of the powers parliament has given us to propose a tough price cap which will give a fairer deal to consumers on poor value default tariffs," said the watchdog's chief executive Dermot Nolan.

Ofgem said it would update the cap's level twice a year.

"The price cap is designed to be a temporary measure, in place until

2023 at the latest," the watchdog said.

"This will allow Ofgem to put in place further reforms to make the energy market more competitive and work better for all consumers, including making switching energy supplier easier, quicker and more reliable."

Share prices in energy group's jumped on Thursday's news, with British Gas-owned Centrica surging 5.3 percent to 151 pence in London.

"This announcement marks the end of uncertainty for energy providers," noted David Madden, analyst at CMC Markets UK.

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