Methodology Note

Comparing pensioner households' projected experiences of energy costs during winter 2026-27 to the energy crisis during winter 2022-23

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Author & Citation

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Content

Introduction	**4**
Methodology	**9**
The Questions	*10*
The Data Source	*11*
The Approach (2022-23 LCFS)	*12*
The Approach (2024-25 LCFS)	*16*
Findings	**24**
Endnotes	**34**

Introduction

Large rises in energy prices as winter 2026-27 approaches

Energy Price Cap

The energy price cap is the maximum amount energy suppliers in Great Britain can charge per unit of gas or electricity and for daily standing charges on default (standard variable) tariffs. It is set by the energy regulator, Ofgem, every three months.

The next energy price cap announcement by Ofgem will set the charge per unit of gas or electricity and the daily standing charges for the period January to March 2027. The most recent forecast is for the energy price cap to rise by 26% in January 2027[1].

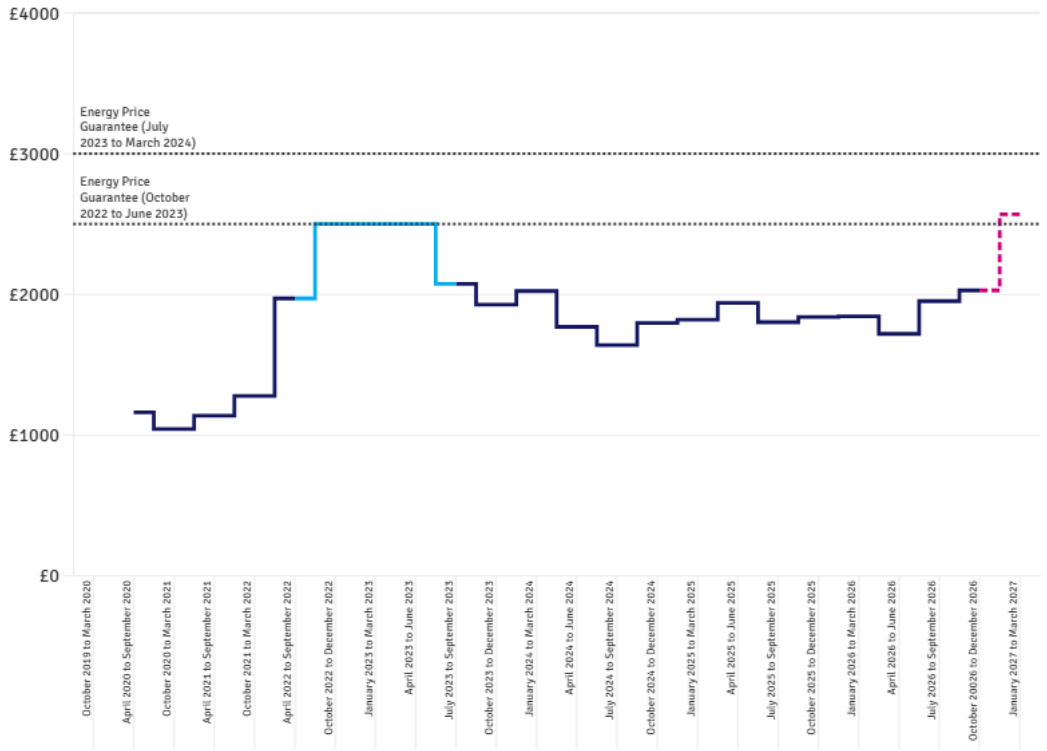
Around 22 million households in Great Britain are on default tariffs[2] and will see the price of their energy rise by more than a quarter. This is the single largest percentage increase in the energy price cap since January 2023.

During the peak of the last energy crisis, the Government introduced the Energy Price Guarantee, which capped the energy costs of a typical consumer* in Great Britain during winter 2022-23 to £2500.

Based on current forecasts, the same typical consumer* is projected to have energy costs of £2569 from January 2027.

*These figures are based on a household consuming 2,900 kWh per annum for electricity and 12,000 kWh per annum for gas, which were ofgem's definition of the Typical Domestic Consumption Value (TDCV) during the period that the last energy crisis occurred.

Based on typical domestic consumption values (TDCV) at the time of the introduction of the **Energy Price Guarantee**, the **Direct Debit Energy Price Cap (forecast)** is expected to be above the highest point of the cap during winter 2022-23.



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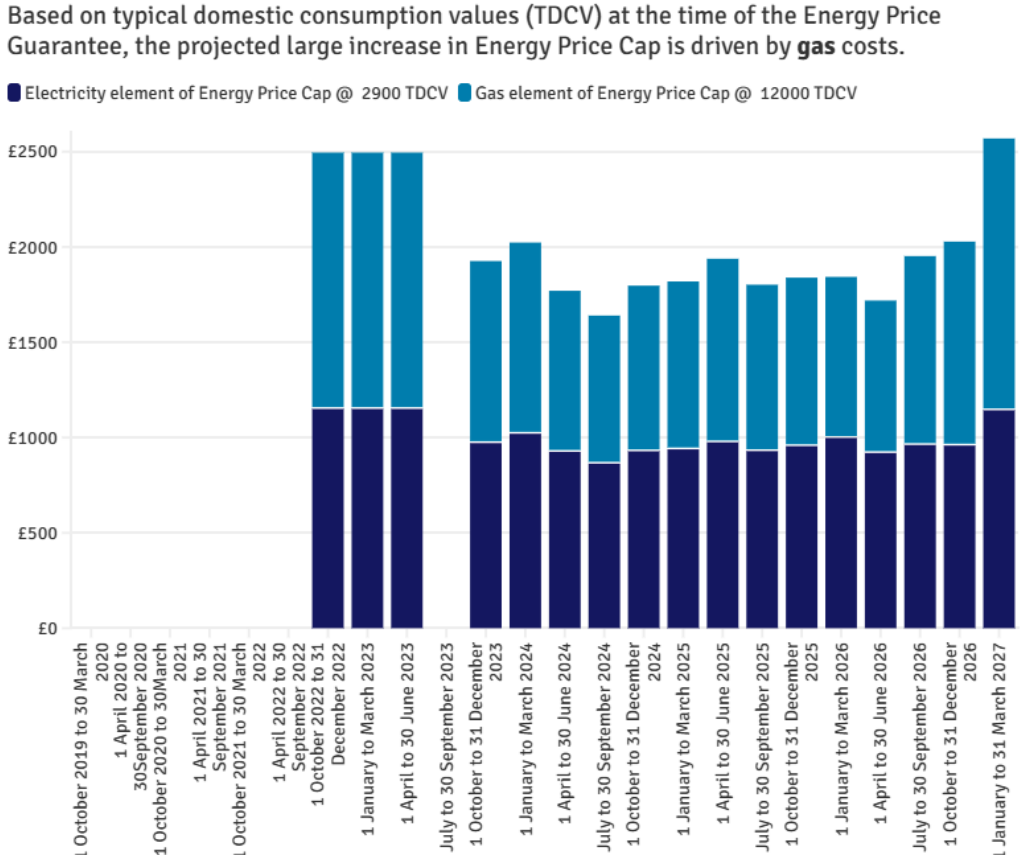
The energy price cap is projected to be 26% higher for the period January 2027 to March 2027 compared to the period October 2026 to December 2026, and 30% higher than the period July 2026 to September 2026.

This is driven by the gas component of the energy price cap which is projected to be 33% higher for the period January 2027 to March 2027 compared to the period October 2026 to December 2026, and 44% than the period July 2026 to September 2026.

In comparison, the electricity component of the energy price cap is projected to 19% higher from January 2027 compared to the preceding two energy price cap periods.

*Figures in chart for the period October 2022 to June 2023 reflect the Energy Price Guarantee; gaps indicate lack of data by individual gas & electricity component.



From January 2027, the typical consumer is projected to have energy costs above the Energy Price Guarantee in place during the peak of the last energy crisis (winter 2022-23).

The question therefore being asked is how will households' experience of projected energy costs during winter 2026-27 compare to energy costs during winter 2022-23.

To understand households' experiences of energy costs between these two time periods, comparing only energy costs is not sufficient, since household income will also have changed and must be considered.

Methodology

Approach taken to understand households' experiences of energy costs

The Questions

To understand households' experiences of energy costs during the peak of the last energy crisis (winter 2022-23) and winter 2026-27 the analysis asked:

- **What proportion of households experienced fuel stress** (i.e. spent more than 10% of their after-tax household income on gas & electricity)**?**

- **What proportion of after-tax household income was spent on gas & electricity?**

Both questions take into consideration household energy costs and household after-tax income.

The Data Source

To answer these two questions, data from the Living Costs & Food Survey (LCFS) were analysed. The LCFS is an UK-wide survey conducted throughout the year by the Office for National Statistics (in Great Britain) and NISRA (in Northern Ireland) that collects information on household spending patterns and household budgets.

The 2022-23 LCFS was used to estimate the proportion of households in Great Britain experiencing fuel stress during winter 2022-23 (October 2022 to March 2023) and the proportion of after-tax income spent on gas & electricity.

The 2024-25 LCFS was the basis from which energy costs and after-tax household income were projected to winter 2026-27 (October 2026 to March 2027) to estimate the proportion of households in Great Britain projected to be experiencing fuel stress during winter 2026-27 and the proportion of after-tax income spent on gas & electricity.

The Approach (2022-23 LCFS)

The steps taken to estimate the proportion of households in Great Britain experiencing fuel stress during winter 2022-23 (October 2022 to March 2023) and the proportion of after-tax income spent on gas & electricity were:

- create a variable to capture households in Great Britain.
- create a variable to capture pensioner households, defined as households with at least one person aged 66 or over.
- create a variable to capture household spend on gas only, on electricity only, and on gas & electricity together.

- create a variable to capture housing costs (to deduct from income to create net income after housing costs), using the definition of housing costs in Household Below Average Income. This includes rent (gross of housing benefits), ground rent and service charges, mortgage interest, water rates (including community water charges and council water charges) and structural insurance.

- create equivalisation factors using the current OECD equivalisation scale as published in the Household Below Average Income[3]: Background Information and Methodology report FYE 2025 which are:

  For analysis if incomes before deducting housing costs these are: 0.67 (1st adult), 0.33 (subsequent adults & children aged 14 & over) and 0.20 (children aged under 14)

  For analysis if incomes after deducting housing costs these are: 0.58 (1st adult), 0.42 (subsequent adults & children aged 14 & over) and 0.20 (children aged under 14)

- create equivalised after-tax household income (before and after deducting housing costs) and use these to create weighted income quintiles (before and after deducting housing costs) for households in Great Britain in quarters October 2022 to December 2022 and January 2023 to March 2023. The LCFS 2022-23 quarterly weights were used since the population of interest was for the quarters reflecting winter 2022-23 (October 2022 to March 2023).

- create a variable to capture fuel stress (i.e. spent more than 10% of their after-tax household income on gas & electricity)

- create a variable to capture proportion of after-tax household income spent on gas only and on gas & electricity together.

- estimate proportion of households experiencing fuel stress in 2022-23 by income quintile (before and after deducting housing costs) and the average proportion of after-tax household income spent on gas only and on gas & electricity together by income quintile (before and after deducting housing costs).

- these estimates are weighted estimates, where the weight is an average of the two quarterly weights for October 2022 to December 2022 and January 2023 to March 2023. An average is taken as each quarterly weight scales up the sample to total population.

- the Korn-Graubard 95% Confidence Intervals were used to assess the reliability of fuel stress proportions, and the Coefficient of Variance was used to assess the precision of average proportion of after-tax income spent on energy costs.

- these estimates were applied to population figures (derived from LCFS 2022-23) to estimate the number of households.

The Approach (2024-25 LCFS)

The steps taken to estimate the proportion of households in Great Britain projected to experiencing fuel stress during winter 2026-27 (October 2026 to March 2027) and the proportion of after-tax income spent on gas & electricity were:

- create a variable to capture households in Great Britain.

- create a variable to capture pensioner households, defined as households with at least one person aged 66 or over.

- to project household energy costs to winter 2026-27, the gas component and the electricity component of the ONS CPI figures is applied to household gas & energy spend to reflect spend in the individual months of winter 2025-26 (October 2025 to March 2026); the change in Energy Price Cap from each individual months of winter 2025-26 to January 2027 are then applied to reflect projected spend in winter 2026-27 (October 2026 to March 2027).

- create a variable to capture projected household spend on gas only, on electricity only and on gas & electricity together.

- create a variable to capture housing costs (to deduct from income to create net income after housing costs), using the definition of housing costs in Household Below Average Income. This includes rent (gross of housing benefits), ground rent and service charges, mortgage interest, water rates (including community water charges and council water charges) and structural insurance.

- create equivalisation factors using the current OECD equivalisation scale as published in the Household Below Average Income[3]: Background Information and Methodology report FYE 2025 which are:

  For analysis if incomes before deducting housing costs these are: 0.67 (1st adult), 0.33 (subsequent adults & children aged 14 & over) and 0.20 (children aged under 14)

  For analysis if incomes after deducting housing costs these are: 0.58 (1st adult), 0.42 (subsequent adults & children aged 14 & over) and 0.20 (children aged under 14)

- create equivalised after-tax household income (before and after deducting housing costs) and use these to create weighted income quintiles (before and after deducting housing costs) for households in Great Britain in quarters October 2024 to December 2024 and January 2025 to March 2025. The LCFS 2024-25 quarterly weights were used since the population of interest was for the quarters reflecting winter months.

- to project household income to winter 2026-27, household income was increased from 2024-25 to 2025-26 *(first percentage)* and then 2025-26 to 2027-27 *(second percentage)*. Household income of households with:

  at least one person aged 66 & over is increased in line with the State Pension (4.1% & 4.8%) [4]

  in receipt of benefits but no one working is increased in line with CPI inflation (1.7% and 3.8%)[4]

  all other households is increased in line with average weekly earnings (4.1% & 3.7%) [5]

- the Household Energy Payment was added to household incomes of those in Council Tax Band A – D homes. The amount £100 is expected to be paid between January 2027 and March 2027, and so the £100 is divided by 13 before being added to household income, as LCFS presents figures in weekly amounts

- create variables to capture fuel stress.

- create variable to capture proportion of after-tax household income spent on gas only and on gas & electricity together.

- estimate projected proportion of households experiencing fuel stress in 2026-27 by income quintile (before and after deducting housing costs) and the average proportion of after-tax household income spent on gas only and on gas & electricity together by income quintile (before and after deducting housing costs).

- these estimates are weighted estimates, where the weight is an average of the two quarterly weights for October 2024 to December 2024 and January 2025 to March 2025. An average is taken as each quarterly weight scales up the sample to total population.

- the Korn-Graubard 95% Confidence Intervals were used to assess the reliability of fuel stress proportions, and the Coefficient of Variance was used to assess the precision of average proportion of after-tax income spent on energy costs.

- these estimates were applied to population figures (derived from LCFS 2024-25) to estimate the number of households. The population figures derived using the average of two quarterly weights underestimated the total number of households in the LCFS 2024-25, as derived using the annual weight, and so a correction factor was added to the estimated number of households (that reflected total households using annual weight divided by total households using average of two quarterly weights).

Findings

Output from analysis

Summary

Pensioner households in Great Britain are projected to experience fuel stress in the winter of 2026-27 as they did during the last time energy prices peaked in the winter of 2022-23. Around 19% (confidence interval: 16% to 23%) of pensioner households in Great Britain, equivalent to around 1.7m (1.4m to 2.0m), are projected to experience fuel stress in the winter of 2026-27; with 45% (37% and 53%) of pensioner households in the lowest income quintile, equivalent to around 1.2m (1.0m to 1.4m), projected to experience fuel stress.

Pensioner households in Great Britain are projected to spend on average a similar proportion of their after-tax household income on gas & electricity in the winter of 2026-27 as they did last time energy prices peaked in the winter of 2022-23. Pensioner households are projected to spend between around 7% (6% to 8%) of their after-tax household income on gas & electricity in the winter of 2026-27; with pensioner households in the lowest income quintile projected to spend around 12% (9% to 15%) of their after-tax household.

Sample Size (2022-24 LCFS)

Pensioner Households	Before deducting housing costs (BHC)	After deducting housing costs (AHC)
1st quintile (lowest)	143	108
2nd quintile	158	161
3rd quintile	151	150
4th quintile	123	134
5th quintile (highest)	83	105
Total	658	658

Sample Size (2024-25 LCFS)

Pensioner Households	Before deducting housing costs (BHC)	After deducting housing costs (AHC)
1st quintile (lowest)	193	160
2nd quintile	178	167
3rd quintile	140	151
4th quintile	106	127
5th quintile (highest)	64	76
Total	681	681

Pensioner Households experiencing fuel stress (winter 2022-23)

Pensioner Households	Before deducting housing costs (BHC)		After deducting housing costs (AHC)	
	Proportion	Numbers (in millions)	Proportion	Numbers (in millions)
All	21% (18% - 25%)	1.8 (1.5 – 2.1)	21% (18% - 25%)	1.8 (1.5 – 2.1)
1st quintile (lowest)	50% (40% - 59%)	1.0 (0.8 – 1.2)	46% (35% - 57%)	0.7 (0.5 – 0.9)
2nd quintile	25% (18% - 33%)	0.5 (0.4 – 0.7)	29% (22% - 38%)	0.6 (0.5 – 0.8)
3rd quintile	10% (5% - 17%)	0.2 (0.1 – 0.3)	17% (10% - 25%)	0.3 (0.2 – 0.5)
4th quintile	*	*	*	*
5th quintile (highest)	*	*	*	*

* Estimate suppressed because it does not meet reliability standards based on the Korn–Graubard 95% confidence interval / NCHS Data Presentation Standards for Proportions

Pensioner Households experiencing fuel stress (winter 2026-27)

Pensioner Households	Before deducting housing costs (BHC)		After deducting housing costs (AHC)	
	Proportion	Numbers (in millions)	Proportion	Numbers (in millions)
All	19% (16% - 23%)	1.7 (1.4 – 2.0)	19% (16% - 23%)	1.7 (1.4 – 2.0)
1st quintile (lowest)	45% (37% - 53%)	1.2 (1.0 – 1.4)	40% (32% - 50%)	0.9 (0.7 – 1.1)
2nd quintile	18% (11% - 26%)	0.4 (0.3 – 0.6)	26% (19% - 35%)	0.6 (0.4 – 0.8)
3rd quintile	*	*	13% (7% - 21%)	0.2 (0.1 – 0.4)
4th quintile	*	*	*	*
5th quintile (highest)	*	*	*	*

* Estimate suppressed because it does not meet reliability standards based on the Korn–Graubard 95% confidence interval / NCHS Data Presentation Standards for Proportions

Average (mean) proportion of after-tax household income spent on gas & energy by pensioner households (winter 2022-23)

Pensioner Households	Before deducting housing costs (BHC)	After deducting housing costs (AHC)
All	7% (7% - 8%)	7% (7% - 8%)
1st quintile (lowest)	13% (10% - 15%)	13% (10% - 15%)
2nd quintile	7% (7% - 8%)	8% (7% - 9%)
3rd quintile	6% (5% - 6%)	6% (6% - 7%)
4th quintile	5% (4% - 5%)	5% (4% - 6%)
5th quintile (highest)	3% (3% - 4%)	4% (3% - 4%)

Average (mean) proportion of after-tax household income spent on gas & energy by pensioner households (winter 2026-27)

Pensioner Households	Before deducting housing costs (BHC)	After deducting housing costs (AHC)
All	7% (6% - 8%)	7% (6% - 8%)
1st quintile (lowest)	12% (9% - 15%)	12% (8% - 16%)
2nd quintile	7% (6% - 8%)	8% (7% - 9%)
3rd quintile	5% (5% - 6%)	6% (5% - 7%)
4th quintile	4% (4% - 5%)	5% (4% - 5%)
5th quintile (highest)	3% (3% - 4%)	4% (3% - 4%)

Average (mean) proportion of after-tax household income spent on gas by pensioner households (winter 2022-23)

Pensioner Households	Before deducting housing costs (BHC)	After deducting housing costs (AHC)
All	3% (3% - 4%)	3% (3% - 4%)
1st quintile (lowest)	6% (4% - 7%)	6% (4% - 7%)
2nd quintile	3% (3% - 4%)	4% (3% - 4%)
3rd quintile	3% (2% - 3%)	3% (2% - 3%)
4th quintile	2% (2% - 2%)	2% (2% - 3%)
5th quintile (highest)	2% (1% - 2%)	2% (1% - 2%)

Average (mean) proportion of after-tax household income spent on gas by pensioner households (winter 2026-27)

Pensioner Households	Before deducting housing costs (BHC)	After deducting housing costs (AHC)
All	4% (3% - 4%)	3% (3% - 4%)
1st quintile (lowest)	6% (4% - 8%)	6% (3% - 8%)
2nd quintile	4% (3% - 4%)	4% (4% - 5%)
3rd quintile	3% (2% - 3%)	3% (2% - 4%)
4th quintile	2% (2% - 3%)	3% (2% - 3%)
5th quintile (highest)	2% (1% - 2%)	2% (2% - 2%)

Endnotes

[1] Cornwall Insight (18th November 2026). *Default Tariff Cap (Price Cap) Predictions & Insights.* Available at https://www.cornwall-insight.com/predictions-and-insights-into-the-default-tariff-cap/. Accessed on 18th November 2026.

[2] Ofgem (26th August 2026). *Energy price cap will by 4% from October 2026*. Available at https://www.ofgem.gov.uk/press-release/energy-price-cap-will-rise-4-october-2026. Accessed on 20th November 2026.

[3] Department for Work & Pensions (26th March 2026). *Household Below Average Income: Background Information and Methodology report FYE 2025*. Available at https://www.gov.uk/government/statistics/households-below-average-income-for-financial-years-ending-1995-to-2025/households-below-average-income-background-information-and-methodology-report-fye-2025#equivalisation. Accessed on 18th November 2026.

Endnotes

[4] Harker, R. & Buchanan, I. (11 November 2026). *Benefits Uprating 2027/28*. *Table 2.* [House of Commons Library] Available at https://commonslibrary.parliament.uk/research-briefings/cbp-12268/. Accessed on 18th November 2026.

[5] Office for Budget Responsibility (October 2026). *Economic and fiscal outlook – October* 2026. *Table A.1: Economy forecast.* Available at https://obr.uk/efo/economic-and-fiscal-outlook-october-2026/. Accessed on 18th November 2026.