



Making a positive difference
for energy consumers

To all market participants and
interested parties

Email: RetailPriceRegulation@ofgem.gov.uk

Date: 23 August 2024

Energy price cap (default tariff) update from 1 October 2024

Dear colleagues,

Today we have published the updated cap levels for charge restriction period ("cap period") 13a, covering the three months from 1 October to 31 December 2024.¹ Alongside the cap levels we have also published the updated versions of the cost allowance models. All figures in this letter reflect the latest (2023) Typical Domestic Consumption Values (TDCV)².

We are obliged to update the price cap level at intervals by applying updated inputs for items such as wholesale costs to the price cap formulae which have been determined by our previous decisions. That is what we have done today. In updating the price cap in this way, we are not making a policy decision or exercising a judgment.

Alongside the cap levels, we have also published an [options paper on standing charges](#), [smart metering costs working paper](#) and the decision on the [extension to additional support credit bad debt cost allowance](#).

Summary of changes to the energy price cap by payment method and meter type

Cap level	July to September 2024	October to December 2024	Change (£)	Change (%)
Direct Debit	£1,568	£1,717	£149	10%

¹ The data used in this document is not intended for use as an index by reference to which the amount payable under a financial instrument or a financial contract, or the value of a financial instrument, is determined, or as an index that is used to measure the performance of an investment fund with the purpose of tracking the return of such index or of defining the asset allocation of a portfolio or of computing the performance fees. Such outputs may not be used as a benchmark with the meaning of the EU Benchmark Regulation (Regulation (EU) 2016/11 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds) Regulation, UK Benchmark Regulation or otherwise.

² Ofgem (2013), [Decision for Typical Domestic Consumption Values](#)

Standard Credit	£1,668	£1,829	£161	10%
PPM	£1,522	£1,669	£147	10%
Economy 7 (Direct Debit)	£1,037	£1,131	£94	9%

All bill values presented in this document are calculated using the current Typical Domestic Consumption Values (TDCVs), 2,700kWh for electricity, 11,500 kWh for gas and 3,900 kWh for multi-register meters, such as Economy 7 customers. All values are rounded to the nearest £ or %.

Direct Debit level - The level of the Direct Debit price cap³, for cap period 13a (1 October to 31 December 2024) will increase from £1568 to £1717 for a typical customer. This represents an increase of £149 (10%) compared to the previous level (1 July to 30 September 2024). For electricity only customers on Economy 7 meters, the Direct Debit cap level will increase from £1037 to £1131 which is an increase of £94 (9%) compared to the previous level.

Standard Credit level – From 1 October 2024, the standard credit cap level will also increase and will be £1829, a £161 (10%) increase 1 October 2024 compared to the previous level. Customers who pay by standard credit (cash or cheque) will pay an additional £112 compared to those who pay by Direct Debit. For electricity only customers on Economy 7 meters, the standard credit cap level will increase from £1101 to £1200 which is an increase of £100 (9%) compared to the previous level). This is an additional £69 compared to paying by Direct Debit.

PPM level - The PPM cap level will also increase and will be £1,669, a £147 (10%) increase compared to the previous level. The PPM cap level will be £48 lower compared to Direct Debit cap level. For electricity only customers on Economy 7 meters, the PPM cap level will increase to £1,107 (a £92 (9%) increase compared to the previous level), which means they'll pay £24 less compared to paying by Direct Debit.

You can get a further breakdown by payment type of the cost components which make up the price cap in the attached appendices. More details on the energy price cap can be found at [get energy price cap standing charges and unit rates by region](#) on the Ofgem website.

What's driving the changes to the October – December 2024 cap level?

The main factors which have produced the change in the cap level are updates in the model inputs for:

- **Wholesale costs** – The wholesale cost allowance has increased by £123 (20%), from £613 to £736. This is primarily driven by increasing wholesale gas prices. Wholesale prices in GB are sensitive to global changes in supply and demand, as a result of Europe's continuing reliance on LNG imports since the decline of Russian pipeline gas flows. Over the last 3 months, there has been a significant rise in geopolitical tensions (primarily in Russia/Ukraine and the Middle East), and extreme weather events driving competition for gas and resulting in higher prices. The primary source of gas for Europe this summer has been from the Norwegian continental shelf, where significant maintenance is planned in the coming months. Without securing additional LNG imports, which means

³ The level of the cap shown is for a dual fuel, Direct Debit customer, calculated using the 2023 Typical Domestic Consumption Values (TDCVs). All values are rounded to the nearest £ or %.

competition on a global market, it is likely that European gas storage will not be filled to 100% by the end of summer. Additionally, there is an expectation that the coming winter could be colder than average, which may lead to higher gas demand than we have seen over the past two years. The backwardation allowance, which remains a benefit for consumers (ie a negative allowance), will reduce from £-34 (July – September 2024) to -£6 (October -December 2024). The contracts for difference allowance which is included within the wholesale costs has decreased from £37 to £29. This is due to a significant decrease in forecast CfD payments made by suppliers for April to June 2024, October to December 2024 and January to March 2025.

- **Adjustment allowance** – Within the adjustment allowance the Additional Support Credit (ASC) allowance will be extended across this winter period, continuing to cover costs associated with ASC bad debt.⁴
- **Network costs** – The network cost allowance has increased by £7 (2%) from £363 to £370 per year for a typical consumer primarily driven by an increase in central electricity balancing costs as well as internal costs from the ESO. Despite the increase, there is a reduction in Gas Transmission costs (-£5). This has been driven mainly by the high shrinkage costs and the misalignment of gas and financial years impacting revenue recovery.
- **Policy costs** - The policy cost allowance has remained broadly static, decreasing from £188 to £187 per year for a typical consumer.
- **Other costs** – The increase in the overall cap level (primarily due to the increase in wholesale costs as outlined above), has led to consequential increases to the indexed allowances, including for headroom (increased by £2 or 12%), EBIT (increased by £4 or 11%), Payment Method Uplift (increased by £1 or 5%) and VAT (increased by £7 or 10%). In addition, smart costs have increased by £5 or 31%.

Compliance with the price caps

We expect suppliers to take seriously their obligations and comply with business-as-usual practices in line with Standard Licence Conditions. Ofgem will be closely monitoring supplier compliance and will continue to take firm action against suppliers who fall short of their requirements.

We expect any related data provided to Ofgem to be accurate, complete and provided in a timely manner. We will also continue to monitor the quality of service suppliers deliver to their customers and stand ready to take compliance and enforcement action in the event that any licence requirements or contract terms are not met.

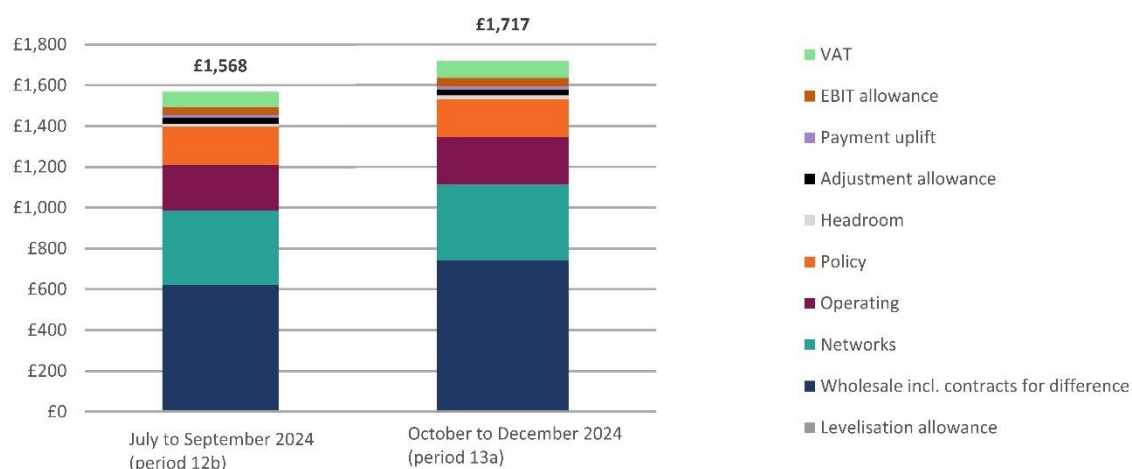
Yours faithfully,

Daniel Newport
Deputy Director, Price Cap

⁴ Ofgem (2024), Decision on extension to additional support credit bad debt cost allowance, <https://www.ofgem.gov.uk/publications/decision-extension-additional-support-credit-bad-debt-cost-allowance>

Annex 1 - Direct Debit Price Cap Cost Breakdown

Changes to costs in the energy price cap between 1 July to 31 December 2024, Direct Debit



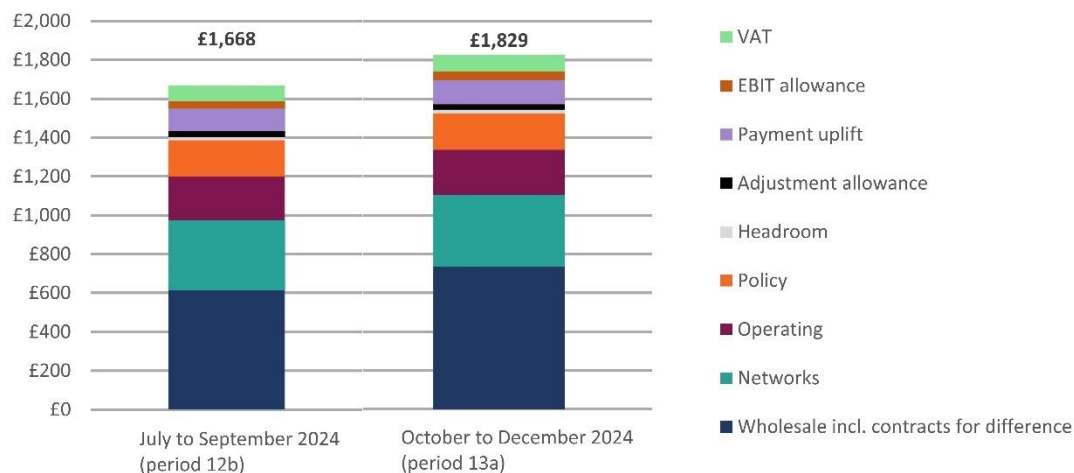
Source: OFGEM

Cost	July to September 2024 (period 12b)	October to December 2024 (period 13a)	Change (£)	Change (%)
VAT	£75	£82	£7	10%
Earnings Before Interest and Tax (EBIT) allowance	£38	£43	£4	11%
Payment uplift	£15	£16	£1	5%
Adjustment allowance	£28	£28	£0	0%
Headroom	£16	£18	£2	12%
Policy	£188	£187	-£1	-1%
Operating	£223	£232	£9	4%
Networks	£363	£370	£7	2%
Wholesale incl. contracts for difference	£613	£736	£123	20%
Levelisation allowance	£10	£7	-£3	-30%
Total	£1,568	£1,717	£149	10%

Figures may not sum to total due to rounding.

Annex 2 - Standard Credit Price Cap Cost Breakdown

Changes to costs in the energy price cap between 1 July to 31 December 2024, standard credit

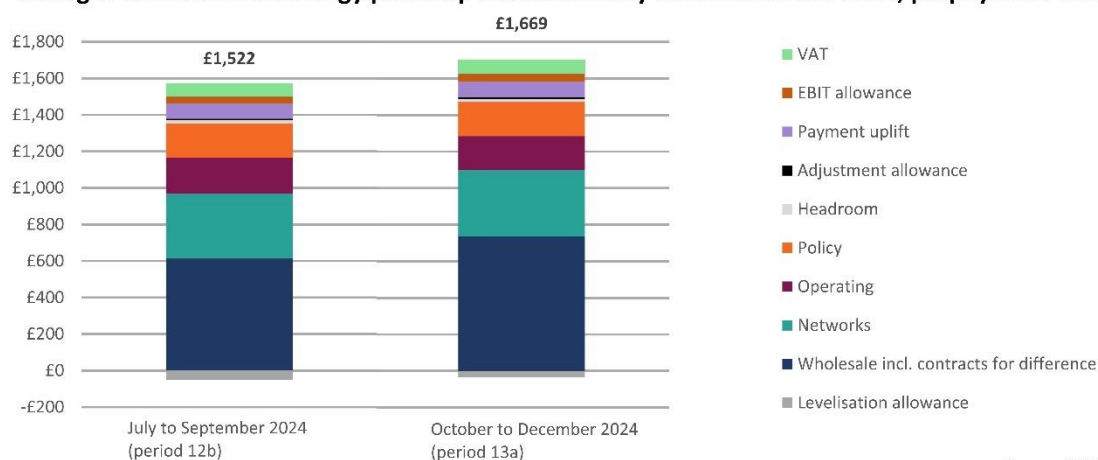


Cost	July to September 2024 (period 12b)	October to December 2024 (period 13a)	Change (£)	Change (%)
VAT	£79	£87	£8	10%
Earnings Before Interest and Tax (EBIT) allowance	£40	£44	£4	11%
Payment uplift	£117	£125	£9	7%
Adjustment allowance	£28	£28	£0	0%
Headroom	£18	£20	£2	12%
Policy	£188	£187	-£1	-1%
Operating	£223	£232	£9	4%
Networks	£363	£370	£7	2%
Wholesale incl. contracts for difference	£613	£736	£123	20%
Levelisation allowance	£0	£0	£0	0%
Total	£1,668	£1829	£161	10%

Figures may not sum to total due to rounding.

Annex 3 - Prepayment Price Cap Cost Breakdown

Changes to costs in the energy price cap between 1 July to 31 December 2024, prepayment meter



Source: OFGEM

Cost	July to September 2024 (period 12b)	October to December 2024 (period 13a)	Change (£)	Change (%)
VAT	£72	£79	£7	10%
Earnings Before Interest and Tax (EBIT) allowance	£39	£43	£4	10%
Payment uplift	£82	£83	£2	2%
Adjustment allowance	£9	£9	£0	0%
Headroom	£17	£18	£2	10%
Policy	£188	£187	-£1	-1%
Operating	£197	£187	-£11	-6%
Networks	£355	£363	£7	2%
Wholesale incl. contracts for difference	£613	£735	£123	20%
Levelisation allowance	-£50	-£35	£15	-29%
Total	£1,522	£1,669	£147	10%

Figures may not sum to total due to rounding.