



Making a positive difference
for energy consumers

To all market participants and
interested parties

Email: RetailPriceRegulation@ofgem.gov.uk

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Default Tariff Cap update from 1 April 2023

Dear colleagues,

Today we have published the updated cap levels for charge restriction period ("cap period") 10a, covering the three months from 1 April 2023 to 30 June 2023.^{1,2} Alongside the cap levels we have also published the updated versions of the cost allowance models / annexes. Ofgem is required by law to publish the price cap level on a quarterly basis.

Energy Price Guarantee

In light of the increase in wholesale prices across 2022, the Government announced the Energy Price Guarantee (EPG) which came into effect on 1 October 2022. The EPG protects consumers, reducing the unit cost of electricity and gas so that a typical dual fuel direct debit bill for a domestic consumer reaches a target level. From 1 April 2023, the Energy Price Guarantee is expected to increase from £2,500 to £3,000 for a typical dual fuel direct debit domestic consumer and will be extended until April 2024. That means from 1 April 2023, a typical household in Great Britain will see an increase in their bills, however the EPG still reflects a discount relative to the underlying Price Cap. The EPG sets maximum prices, not maximum bills. For an individual customer, the amount they will pay under the EPG varies depending on how much energy they use, where they live, and how they pay for their energy.

All information and figures provided within this letter represent the Default Tariff Cap level and do not represent what domestic consumers will pay on their bills under the EPG scheme. EPG discount rates from 1 April 2023 will shortly be published by the Department for Energy Security and Net Zero (DESNZ).

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, UK Benchmark Regulation or otherwise.

² In August 2022, Ofgem decided the Default Tariff Cap will be updated on a quarterly basis rather than every six months. For details on the reason for this change, please see the [decision on changes to the wholesale methodology](#).

Default Tariff Cap

The level of the dual fuel, direct debit cap^{3,4} for cap period 10a (1 April 2023 to 30 June 2023) has reduced by 23% since the last update. From 1 April 2023, the level of the cap will decrease to £3,280.^{5,6} For electricity only customers on Economy 7 meters, the direct debit cap level has decreased to £2,282 (24% decrease since the last update).

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.

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 decreased from £3,137 to £2,170 (decrease of £967 or 31%). During this observation period we have seen overall very mild temperatures for the time of year, especially with temperatures far above seasonal norms from mid-December to mid-January. This has meant gas demand across Europe has been lower than expected. The high storage levels achieved in autumn have been largely maintained, and gas storage levels are currently at record highs for this time of year, providing confidence to the market that supplies will be sufficient for the rest of winter and reduced risks for the rest of the year including next winter. This has caused large falls in both near and longer-term prices. However, wholesale gas and power prices are still 2-3 times their historic average levels. The global market for gas supplies remains very competitive with Russian pipeline supplies to Europe continuing to be very low, and many risk factors remain.
- **Contract for Difference (CfD)** – CfD costs (included within wholesale costs) for this period have decreased from -£40 to -£54 (decrease of £14 or 35%) compared to cap period 9b (1 January 2023 – 31 March 2023), which takes into account generator payments and higher power prices.
- **Network costs** – Network costs have increased from £372 to £388 (increase of £16 or 4%). Whilst supplier of Last Resort (SoLR) costs have reduced by £42 from £61 to £19, this reduction has been offset by cost increases elsewhere, as non-SoLR costs have increased by £58. This has been primarily driven by two factors; An increase of £24 in the costs associated with maintaining and upgrading the gas and electricity networks, which are linked to inflation, and in the costs of balancing the electricity system of £34 because of changes in the way these charges are recovered and the scale of interventions made by the Electricity System Operator this winter.
- **Policy Costs** – Policy cost allowance has increased from £152 to £165 (an increase of £14 or 9%) This is largely due to inflation. Uprating for inflation is

³ The level of the cap shown is for a dual fuel, direct debit customer, calculated using the latest Typical Domestic Consumption Values (TDCVs). All values rounded to the nearest £.

⁴ On 1 April 2020 Ofgem decided to decrease the [Typical Domestic Consumption Values](#) (TDCVs) for electricity to reflect continued decreases in consumption for electricity and to keep the TDCV's for gas unchanged. From 1 April 2020, Ofgem has been using the new TDCVs to express the default tariff price cap and prepayment meter cap level in all publications. Previous publications on the levels of the caps will therefore not be the same / directly comparable.

⁵ The Default Tariff Cap sets maximum prices, not maximum bills. For an individual customer, the amount they will pay under the cap varies depending on how much energy they use, where they live, and how they pay for their energy. The cap level will not depend on who a customer's energy supplier is.

⁶ We do not set a 'dual fuel' cap. Caps are set for each fuel separately. When we express the dual fuel 'cap level' for a typical customer, this is the combined effect of the gas cap at typical consumption and the electricity cap at typical consumption.

responsible for increases in Warm Home Discount (WHD), Renewable Obligations (RO) and Assistance for Areas with High Electricity Distribution Costs (AAHEDC). The increase in Feed In Tariffs (FiT) is due to a combination of an increase in the Levelisation Fund, a reduction in the total electricity supplied and an uplift for inflation. Energy Company Obligation costs increased from £36 to £44 (an increase of £8 or 22%). This was due to a combination of inflation and the introduction of the [ECO+ scheme](#). The reduction to the Green Gas Levy costs is due to an overestimation of costs for the previous period, coupled with a more conservative estimate for the current period.

Changes in the components making up the direct debit level of the previous cap update (Cap Period 9b) and forthcoming cap period (Cap Period 10a) (shown for dual fuel) is shown in Figure 1 below:⁷

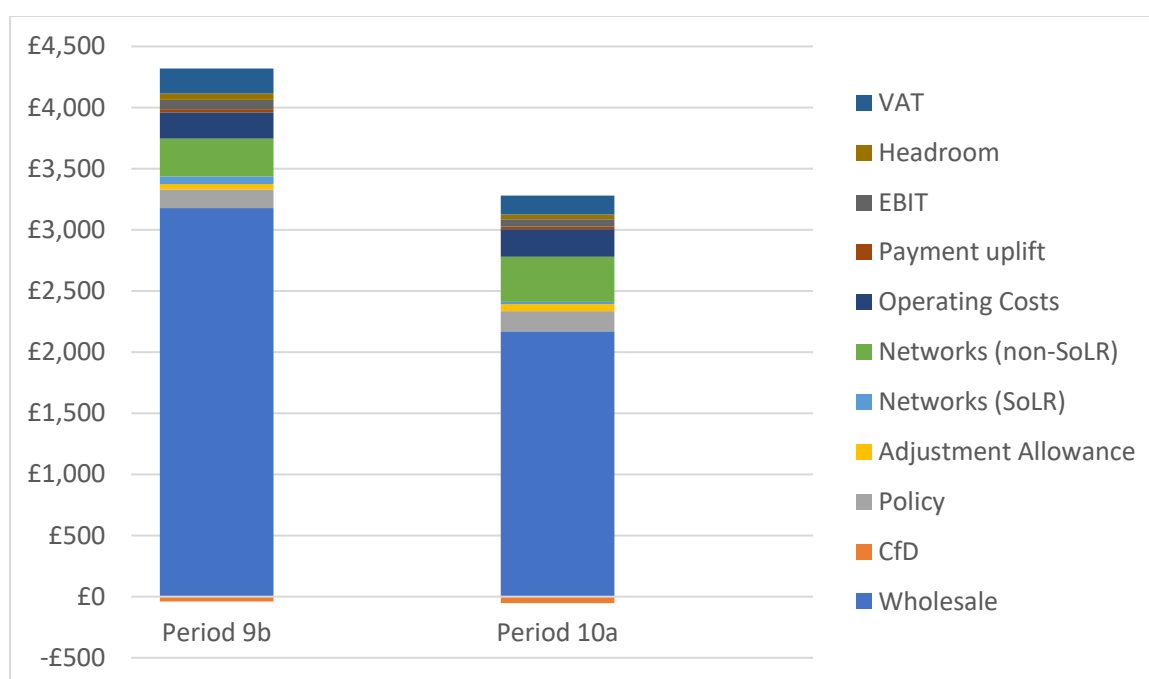


Figure 1: Breakdown of the previous and current Default Tariff Cap components, direct debit, dual fuel

Other payment methods

The standard credit cap level has also decreased and will be £3,482 (£1,051 decrease) for the reasons set out above. Customers who pay by standard credit (cash or cheque) pay an additional £202 compared to direct debit. For electricity only customers on Economy 7 meters, the standard credit cap level has decreased to £2,416 (£743 decrease), an additional £134 compared to direct debit.

The prepayment meter (PPM) cap level has also decreased and will be £3,325 (£1,034 decrease). Customers on prepayment meters pay an additional £45 compared to direct debit customers. This is primarily based on the higher cost for suppliers to serve them in comparison to customers paying by direct debit. For electricity only customers on Economy 7 meters, the PPM cap level has decreased to £2,263 (£709 decrease), £19 less than direct debit. This is primarily driven by the Adjustment Allowance being £27 for direct debit E7 customers whereas it is £4 for PPM E7 customers. This is because the

⁷All values shown are for a dual fuel, direct debit customer, calculated using the latest Typical Domestic Consumption Values (TDCVS). All values rounded to the nearest £.

additional wholesale cost adjustment from our August 2022 decision, was only included for non-PPM customers.⁸ In our February 2023 COVID-19 true-up decision, we also did not set a COVID-19 true-up allowance for PPM customers, given evidence that any debt they hold was typically accrued on credit meters.⁹

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 and the Energy Price Guarantee (EPG) contract terms. 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,

Dan Norton
Deputy Director, Price Cap

⁸ Ofgem (2022), Decision on possible wholesale cost adjustment.

[Price Cap - Decision on possible wholesale cost adjustment | Ofgem](#)

⁹ Ofgem (2023), Decision on the true-up process for COVID-19 costs.

[Price Cap – Decision on the true-up process for COVID-19 costs | Ofgem](#)

Annex

All bill values presented in this document are calculated using the latest Typical Domestic Consumption Values (TDCVs), 2,900kWh for electricity, 12,000 kWh for gas and 4,200 kWh for multi-register meters, such as Economy 7 customers. All values are rounded to the nearest £.

Annex 1 – Breakdown of Default Tariff Cap components, direct debit, dual fuel.

Cost component	Period 9b (Jan 23 – Mar 23)	Period 10a (Apr 23 – Jun 23)
Wholesale	£3,137	£2,170
<i>of which CfD</i>	-£40	-£54
Policy	£152	£165
Adjustment allowance ¹⁰	£46	£58
Networks	£372	£388
<i>of which SoLR</i>	£61	£19
<i>of which non-SoLR</i>	£311	£369
Operating costs	£214	£223
Payment uplift	£25	£22
EBIT	£76	£59
Headroom	£53	£39
VAT	£204	£156
Total	£4,279	£3,280

Annex 2 – Changes to the Default Tariff Cap split by payment method and meter type.

Cap level	Period 9b (Jan 23 – Mar 23)	Period 10a (Apr 23 – Jun 23)
Direct Debit	£3,549	£3,280
Standard Credit	£3,764	£3,482
Prepayment	£3,608	£3,325
Economy 7 (DD at 4,200 kWh)	£2,988	£2,282

Annex 3 – Regional breakdown of the dual fuel, direct debit Default Tariff Cap for cap period 10a (1 April 2023 to 30 June 2023). This table includes VAT.

¹⁰ An allowance covering any adjustments to the Default Tariff Cap. For cap period 9a and 9b this includes costs related to unexpected SVT demand incurred during period 8 and costs related to backwardation incurred during period 7.

Charge Restriction Region	Single Rate Electricity (2900 kWh consumption)	Gas (12000 kWh consumption)	Dual Fuel
North West	£1,641	£1,620	£3,261
Northern	£1,639	£1,610	£3,248
Yorkshire	£1,646	£1,611	£3,257
Northern Scotland	£1,664	£1,614	£3,278
Southern	£1,658	£1,631	£3,289
Southern Scotland	£1,684	£1,614	£3,298
N Wales and Mersey	£1,738	£1,623	£3,362
London	£1,650	£1,620	£3,269
South East	£1,668	£1,623	£3,291
Eastern	£1,649	£1,606	£3,255
East Midlands	£1,628	£1,604	£3,231
Midlands	£1,653	£1,610	£3,263
Southern Western	£1,668	£1,644	£3,312
South Wales	£1,666	£1,638	£3,304
GB average	£1,661	£1,619	£3,280

Annex 4 - Regional breakdown of the dual fuel, PPM Default Tariff Cap for cap period 10a (1 April 2023 to 30 June 2023). This table includes VAT.

Charge Restriction Region	Single Rate Electricity (2900 kWh consumption)	Gas (12000 kWh consumption)	Dual Fuel
North West	£1,626	£1,677	£3,304
Northern	£1,624	£1,671	£3,296
Yorkshire	£1,631	£1,672	£3,304
Northern Scotland	£1,649	£1,674	£3,323
Southern	£1,643	£1,690	£3,333
Southern Scotland	£1,669	£1,674	£3,342
N Wales and Mersey	£1,723	£1,680	£3,402
London	£1,635	£1,679	£3,314
South East	£1,653	£1,681	£3,334
Eastern	£1,635	£1,670	£3,305
East Midlands	£1,613	£1,664	£3,277
Midlands	£1,638	£1,668	£3,306
Southern Western	£1,653	£1,710	£3,363
South Wales	£1,651	£1,694	£3,345
GB average	£1,646	£1,679	£3,325

Annex 5 - Regional breakdown of the dual fuel, standard credit Default Tariff Cap for cap period 10a (1 April 2023 to 30 June 2023). This table includes VAT.

Charge Restriction Region	Single Rate Electricity (2900 kWh consumption)	Gas (12000 kWh consumption)	Dual Fuel
North West	£1,742	£1,719	£3,462
Northern	£1,739	£1,709	£3,448
Yorkshire	£1,747	£1,710	£3,457
Northern Scotland	£1,766	£1,713	£3,479
Southern	£1,759	£1,731	£3,491
Southern Scotland	£1,787	£1,713	£3,500
N Wales and Mersey	£1,845	£1,723	£3,568
London	£1,751	£1,719	£3,470
South East	£1,770	£1,723	£3,493
Eastern	£1,751	£1,705	£3,456
East Midlands	£1,728	£1,703	£3,431
Midlands	£1,755	£1,709	£3,464
Southern Western	£1,771	£1,745	£3,515
South Wales	£1,769	£1,739	£3,507
GB average	£1,763	£1,719	£3,482

Annex 6 - Regional breakdown of multi-register metering arrangement over different payment methods for cap period 10a (1 April 2023 to 30 June 2023). This table includes VAT.

Charge Restriction Region for Multi Register Electricity (4200 kWh consumption)	Direct Debit	Standard Credit	PPM
North West	£2,255	£2,388	£2,236
Northern	£2,248	£2,380	£2,229
Yorkshire	£2,263	£2,397	£2,244
Northern Scotland	£2,281	£2,416	£2,262
Southern	£2,283	£2,417	£2,263
Southern Scotland	£2,301	£2,437	£2,282
N Wales and Mersey	£2,372	£2,511	£2,352
London	£2,282	£2,416	£2,262
South East	£2,294	£2,429	£2,274
Eastern	£2,275	£2,409	£2,256
East Midlands	£2,245	£2,377	£2,226
Midlands	£2,275	£2,409	£2,256
Southern Western	£2,284	£2,418	£2,264
South Wales	£2,289	£2,424	£2,269
GB average	£2,282	£2,416	£2,263