



Making a positive difference  
for energy consumers

To all market participants and  
interested parties

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## Energy price cap (default tariff) update from 1 October 2023

Dear colleagues,

Today we have published the updated cap levels for charge restriction period ("cap period") 11a, covering the three months from 1 October 2023 to 31 December 2023.<sup>1</sup> Alongside the cap levels we have also published the updated versions of the cost allowance models / annexes. Ofgem is required by law to update the level of the price cap periodically.

### Energy price cap (default tariff)

The level of the dual fuel, direct debit cap<sup>2</sup>, for cap period 11a (1 October 2023 to 31 December 2023) will reduce to £1,923 for a typical customer. This represents a reduction of £151 (7%) compared to the previous level. For electricity only customers on Economy 7 meters, the direct debit cap level will decrease to £1,298 (7%) compared to the previous level.

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 £1,051 to £950. Wholesale gas and electricity prices have seen a gradual decline in the past few months due to factors that have reduced supply risks during the relevant observation window. Since the fall in Russian gas supplies to Europe which drove prices very high in 2022, alternative liquified natural gas (LNG) imports, mainly from the US, have helped to fill the gap. Steady LNG supplies to Europe have facilitated injections into EU gas storage at record levels for this time of the year.

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<sup>1</sup> 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.

<sup>2</sup> The level of the cap shown is for a dual fuel, direct debit customer, calculated using the 2019 Typical Domestic Consumption Values (TDCVs). All values rounded to the nearest £. Ofgem will reissue this letter with the revised [1 October TDCV levels](#).

Although prices have dropped significantly since 2022, future risks to supplies remain, and this uncertainty has left forward wholesale prices at levels that are more than double the historic averages. The market remains highly volatile and the outlook for the subsequent price cap period (January – March 2024) does not currently suggest a further material reduction in costs, though this remains uncertain.

- **Adjustment allowance** – The adjustment allowance has reduced from £66 to £12 (a reduction of £54). This reduction is due to costs associated with the unprecedented rise in wholesale prices which we allowed for last year being fully recovered and falling away from 1 October.
- **EBIT** – We have revised the EBIT (profit margin) allowance within the price cap methodology. The revised methodology includes both a fixed and variable element and is less sensitive to overall cap levels, better protecting consumers in the event of high prices. The decision adds £10 to the upcoming cap level, however this will be partially offset by a previous temporary £8 allowance to account for RO ringfencing costs. These costs will be incorporated within the EBIT allowance, resulting in a £2 net impact for the October-December cap (annualised).
- **UNC mod 840** – UNC mod 840<sup>3</sup> is an industry modification which will equalise the Unidentified Gas (UIG) allocation between pre-pay and non-prepay End User Categories. We have made the necessary changes to the price cap methodology to account for this modification. This reduces the prepayment cap level by £51.
- **Additional support credit (ASC) bad debt** – Using some of the benefit from the UNC mod 840 change, we have decided to introduce a 12 month allowance from 1 October for bad debt associated with ASC provided to prepayment customers<sup>4</sup>. This decision adds £9 to the cap level for prepayment customers. This is an important intervention to help ensure prepayment meter customers can access the right level of ASC support this winter.
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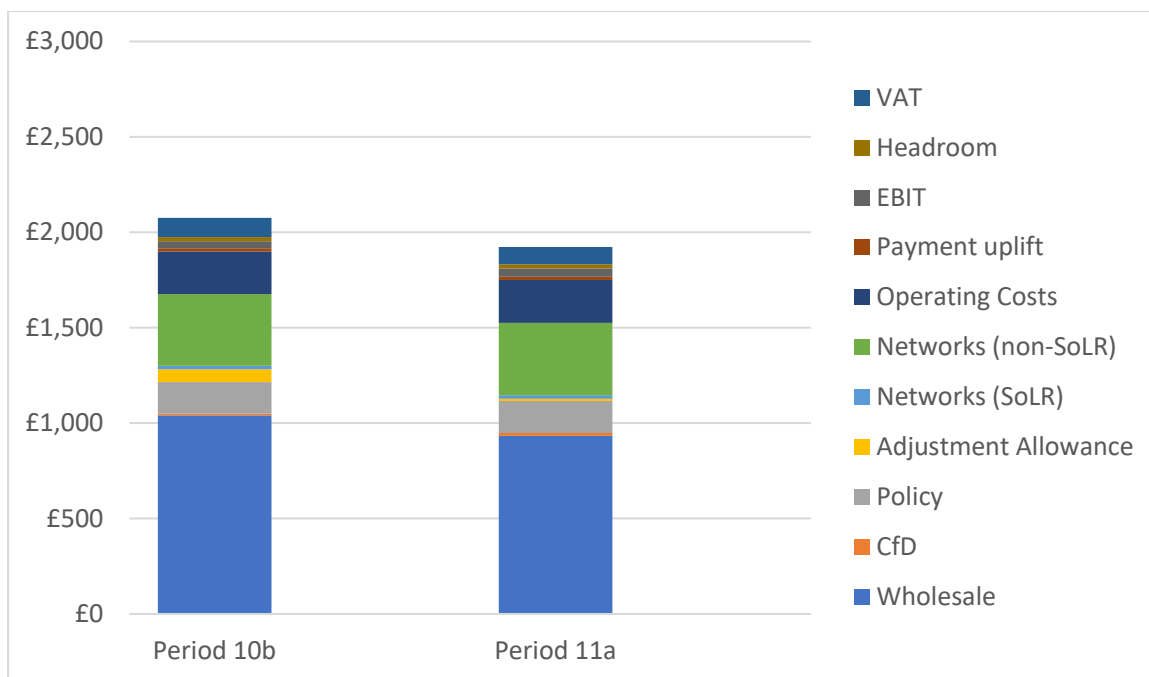
Changes in the components making up the direct debit level of the previous cap update (Cap Period 10b) and forthcoming cap period (Cap Period 11a) (shown for dual fuel) is shown in Figure 1 below:<sup>5</sup>

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<sup>3</sup> More detail on this modification can be found here - [0840 \(Urgent\) - Equalisation of prepayment and non-prepayment AUG factors | Joint Office of Gas Transporters \(gasgovernance.co.uk\)](#)

<sup>4</sup> More detail on our ASC bad debt decision can be found here - [Allowance for additional support credit bad debt costs](#)

<sup>5</sup>All values shown are for a dual fuel, direct debit customer, calculated using the current Typical Domestic Consumption Values (TDCVs). All values rounded to the nearest £.



**Figure 1: Breakdown of the previous and current Energy Price Cap components, direct debit, dual fuel**

### Other payment methods

From 1 October 2023, the standard credit cap level will also decrease and will be £2,052, a £159 (7%) decrease compared to the previous level for the reasons set out above. Customers who pay by standard credit (cash or cheque) will pay an additional £129 compared to those who pay by direct debit for the forthcoming cap period; this is a reduction of £8 compared to the previous level. For electricity only customers on Economy 7 meters, the standard credit cap level will decrease to £1,380 (a £108 (7%) decrease compared to the previous level). This is an additional £82 compared to paying by direct debit for the forthcoming period.

The prepayment meter (PPM) cap level will also decrease and will be £1,949, a £129 (6%) decrease compared to the previous level. The PPM cap level will be £26 higher 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 will decrease to £1,308 (a £76 (6%) decrease compared to the previous level), which means they will pay £10 more than direct debit customers.

### Forthcoming change to Typical Domestic consumption values

In line with our Decision for Typical Domestic Consumption Values 2023,<sup>6</sup> Ofgem will publish cap level figures using the 2023 TDCVs from 1 October 2023 onwards. Annex 2(a) of this letter sets out a comparison of the forthcoming cap levels using the current (2019) TDCVs and the forthcoming (2023) TDCVs. We will also reissue this letter on or shortly after 1 October 2023, updated with 2023 figures.

### Energy Price Guarantee

<sup>6</sup> [Decision for Typical Domestic Consumption Values 2023 | Ofgem](#)

In light of the increase in wholesale prices in 2022, the Government announced the Energy Price Guarantee (EPG) which came into effect on 1 October 2022. Since then, the EPG has protected 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 July 2023, the price cap level fell below the level of the EPG set by government and the cap level announced today remains below the EPG. This means that from 1 October – 31 December 2023, it will continue to be the Price Cap set by Ofgem and not the EPG that determines the maximum price<sup>7</sup> for domestic consumers paying by Direct Debit and standard credit on default tariffs. The EPG remains in effect at a level of £3,000 until April 2024 and will therefore continue to offer protection to consumers in the event that future price caps increase above this level.

In the Spring Statement<sup>8</sup> the Chancellor announced that the EPG will provide further help to customers who pay by prepayment meters, from 1 July 2023, to mitigate the higher prices they pay compared to a typical Direct Debit customer. Customers on prepayment meters will continue to receive EPG support to address this cost differential until 31 March 2024, ahead of longer-term measures Ofgem are considering. The EPG prepayment meter 'levelisation' support rates will shortly be published by the Department for Energy Security and Net Zero (DESNZ).

### **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 EPG scheme. 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**

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<sup>7</sup> The price cap sets maximum prices, not maximum bills. For an individual customer, the amount they will pay under the price cap varies depending on how much energy they use.

<sup>8</sup> The Spring Statement refers to the Announcement from the Chancellor which can be found [here](#).

## Annex

All bill values presented in this document are calculated using the current 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 Energy Price Cap components, direct debit, dual fuel.

Cost component	Period 10b (July 23 – Sept 23)	Period 11a (Oct 23 – Dec 23)
Wholesale	£1,051	£950
<i>of which CfD</i>	£10	£15
Policy	£165	£167
Adjustment allowance <sup>9</sup>	£66	£12
Networks	£394	£397
<i>of which SoLR</i>	£19	£19
<i>of which non-SoLR</i>	£375	£378
Operating costs	£223	£226
Payment uplift	£17	£16
EBIT	£37	£44
Headroom	£23	£21
VAT	£99	£91
<b>Total</b>	<b>£2,074</b>	<b>£1,923</b>

<sup>9</sup> An allowance covering bespoke adjustments to the Energy Price 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.

**Annex 2 – Changes to the Energy Price Cap split by payment method and meter type (current TDCV).**

Cap level	Period 10b (July 23 – Sept 23)	Period 11a (Oct 23 – Dec 23)
Direct Debit	£2,074	£1,923
Standard Credit	£2,211	£2,052
Prepayment	£2,077	£1,949
Economy 7 (DD at 4,200 kWh)	£1,400	£1,298

**Annex 2(a) – Changes to the Energy Price Cap split by payment method and meter type (forthcoming (2023) TDCVs, coming into effect 1 Oct)**

Cap level	Period 10b (July 23 – Sept 23)	Period 11a (Oct 23 – Dec 23)
Direct Debit	£1,976	£1,834
Standard Credit	£2,108	£1,959
Prepayment	£1,982	£1,861
Economy 7 (DD at 3,900 kWh)	£1,314	£1,219

**Annex 4 – Regional breakdown of the dual fuel, direct debit Energy Price Cap for cap period 11a (1 October 2023 to 31 December 2023). This table is in current (2019) TDCV and includes VAT.**

Charge Restriction Region	Single Rate Electricity (2900 kWh consumption)	Gas (12000 kWh consumption)	Dual Fuel
North West	£978	£936	£1,914
Northern	£980	£926	£1,906
Yorkshire	£974	£927	£1,901
Northern Scotland	£1,007	£930	£1,937
Southern	£980	£947	£1,927
Southern Scotland	£1,006	£930	£1,936
N Wales and Mersey	£1,047	£940	£1,986
London	£965	£936	£1,901
South East	£988	£939	£1,927
Eastern	£971	£922	£1,893
East Midlands	£961	£920	£1,881
Midlands	£977	£926	£1,903
Southern Western	£1,003	£960	£1,962
South Wales	£994	£954	£1,948
<b>GB average</b>	<b>£988</b>	<b>£935</b>	<b>£1,923</b>

**Annex 5 - Regional breakdown of the dual fuel, PPM Energy Price Cap for cap period 11a (1 October 2023 to 31 December 2023). This table is in current (2019) TDCV and includes VAT.**

<b>Charge Restriction Region</b>	<b>Single Rate Electricity (2900 kWh consumption)</b>	<b>Gas (12000 kWh consumption)</b>	<b>Dual Fuel</b>
North West	£991	£946	£1,937
Northern	£993	£941	£1,934
Yorkshire	£986	£942	£1,928
Northern Scotland	£1,020	£943	£1,963
Southern	£993	£959	£1,952
Southern Scotland	£1,019	£943	£1,962
N Wales and Mersey	£1,059	£949	£2,008
London	£978	£948	£1,926
South East	£1,001	£950	£1,951
Eastern	£983	£939	£1,923
East Midlands	£974	£933	£1,907
Midlands	£990	£937	£1,927
Southern Western	£1,015	£979	£1,994
South Wales	£1,006	£963	£1,969
<b>GB average</b>	<b>£1,001</b>	<b>£948</b>	<b>£1,949</b>

**Annex 6 - Regional breakdown of the dual fuel, standard credit Energy Price Cap for cap period 11a (1 October 2023 to 31 December 2023). This table is in current (2019) TDCV and includes VAT.**

<b>Charge Restriction Region</b>	<b>Single Rate Electricity (2900 kWh consumption)</b>	<b>Gas (12000 kWh consumption)</b>	<b>Dual Fuel</b>
North West	£1,044	£999	£2,043
Northern	£1,046	£989	£2,035
Yorkshire	£1,039	£990	£2,029
Northern Scotland	£1,075	£993	£2,067
Southern	£1,046	£1,011	£2,057
Southern Scotland	£1,073	£993	£2,066
N Wales and Mersey	£1,116	£1,003	£2,119
London	£1,030	£999	£2,029
South East	£1,055	£1,002	£2,057
Eastern	£1,036	£985	£2,021
East Midlands	£1,026	£982	£2,008
Midlands	£1,043	£989	£2,032
Southern Western	£1,069	£1,024	£2,094
South Wales	£1,060	£1,018	£2,078
<b>GB average</b>	<b>£1,054</b>	<b>£998</b>	<b>£2,052</b>

**Annex 7 - Regional breakdown of multi-register metering arrangement over different payment methods for cap period 11a (1 October 2023 to 31 December 2023). This table is in current (2019) TDCV and includes VAT.**

<b>Charge Restriction Region for Multi Register Electricity (4200 kWh consumption)</b>	<b>Direct Debit</b>	<b>Standard Credit</b>	<b>PPM</b>
<b>North West</b>	£1,285	£1,367	£1,296
<b>Northern</b>	£1,284	£1,365	£1,294
<b>Yorkshire</b>	£1,279	£1,360	£1,290
<b>Northern Scotland</b>	£1,319	£1,402	£1,329
<b>Southern</b>	£1,292	£1,374	£1,302
<b>Southern Scotland</b>	£1,312	£1,395	£1,322
<b>N Wales and Mersey</b>	£1,364	£1,449	£1,374
<b>London</b>	£1,282	£1,363	£1,292
<b>South East</b>	£1,302	£1,385	£1,313
<b>Eastern</b>	£1,284	£1,366	£1,295
<b>East Midlands</b>	£1,268	£1,348	£1,279
<b>Midlands</b>	£1,285	£1,367	£1,296
<b>Southern Western</b>	£1,309	£1,392	£1,320
<b>South Wales</b>	£1,304	£1,387	£1,315
<b>GB average</b>	<b>£1,298</b>	<b>£1,380</b>	<b>£1,308</b>