



Making a positive difference
for energy consumers

To all market participants and
interested parties

Email: RetailPriceRegulation@ofgem.gov.uk

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Energy price cap (default tariff) update from 1 October 2023 (under new TDCV values)

Dear colleagues,

Today we have re-published the updated cap levels for charge restriction period (“cap period”) 11a, covering the three months from 1 October 2023 to 31 December 2023 where all figures reflect the latest (2023) Typical Domestic Consumption Values (TDCV), which came into effect on 1 October 2023.¹ Only this letter has been updated and the cost allowance models/annexes remain unchanged from our 25 August 2023 announcement.

Update to TDCV Values

From 1 October 2023, Ofgem will be changing how it reflects the energy consumed by a ‘typical’ customer, as part of our review into TDCVs.² After conducting this review Ofgem have decided to proceed with updating the TDCVs to reflect the falling trend in the consumption of electricity and gas.

Prior to 1 October 2023, a typical bill (including the cap level for a typical customer) was based on the 2019 TDCV of 2,900kWh of electricity, 12,000kWh of gas, and 4,200kWh of electricity for Economy 7.

From 1 October 2023 price cap levels and typical bills will be expressed in 2023 TDCV of 2,700 kwh of electricity, 11,500 kWh of gas and 3,900 kWh of electricity for Economy 7. In the interests of transparency, in this letter we have compared what the July – Sept 2023 and the Oct – Dec 2023 cap levels are expressed using the latest 2023 TDCVs.

This letter is published in addition to the letter published on 25 August³ (which remains in 2019 TDCV), to allow for comparison of the impact of the 2023 TDCVs on how the level of the price cap, and constituent components, is communicated.

For the avoidance of doubt, the change in TDCV itself does not impact consumer bills. The rates for the Oct – Dec 2023 period (including equivalent unit rates and standing

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 [Decision for Typical Domestic Consumption Values 2023 | Ofgem](#)

³ [Energy Price cap - Letter | Ofgem](#)

charges) remain unchanged from the rates set out in our 25 August 2023 announcement.

Energy price cap (default tariff)

The level of the dual fuel, direct debit cap⁴, for cap period 11a (1 October 2023 to 31 December 2023) will reduce to £1,834 for a typical customer. This represents a reduction of £142 (7%) compared to the previous level. For electricity only customers on Economy 7 meters, the direct debit cap level will decrease to £1,219 which is a reduction of £95 (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 £994 to £898. 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. 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 £62 to £11 (a reduction of £51). 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 £6 to the upcoming cap level, however this will be partially offset by the removal of a temporary £7 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 840⁵ 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 £49.

⁴ 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](#).

⁵ More detail on this modification can be found here - [0840 \(Urgent\) - Equalisation of prepayment and non-prepayment AUG factors | Joint Office of Gas Transporters \(gasgovernance.co.uk\)](#)

- 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 customers⁶. 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.

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:⁷

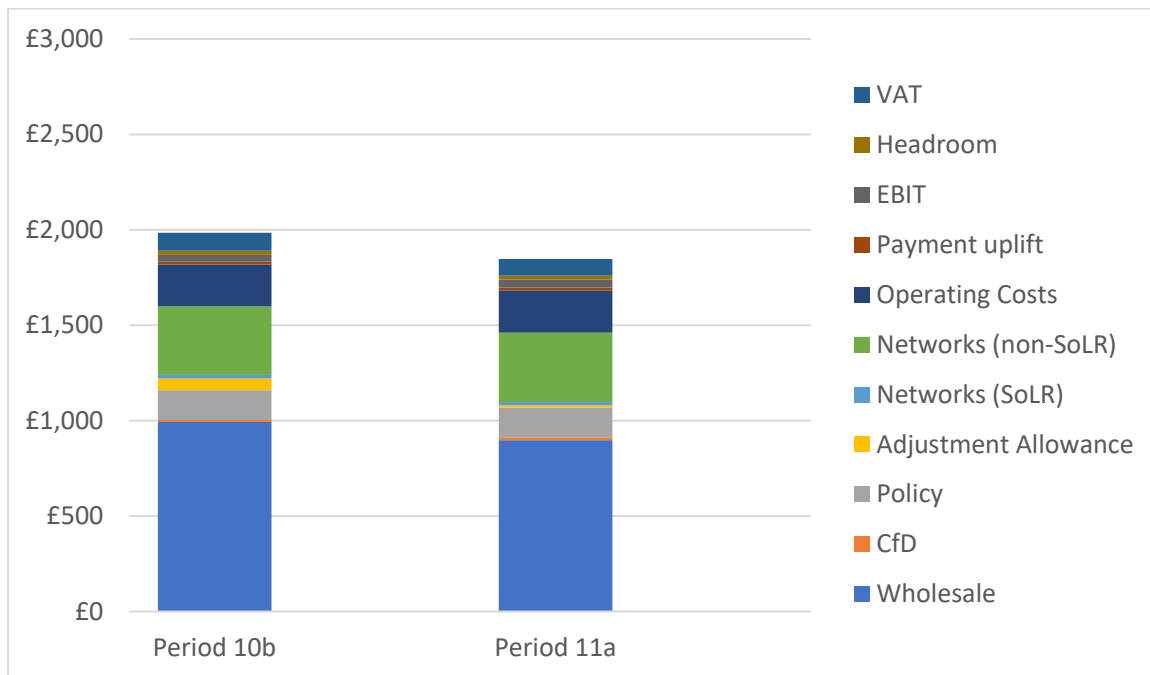


Figure 1: Breakdown of the previous and current Energy Price Cap components, direct debit, dual fuel

Other payment methods

From 1 October 2023, the standard credit cap level will also decrease and will be £1,959, a £150 (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 £125 compared to those who pay by direct debit for the forthcoming cap period; this is a reduction of £7 compared to the previous level. For electricity only customers on Economy 7 meters, the standard credit cap level will decrease to £1,297 (a £100 (7%) decrease compared to the previous level). This is an additional £78 compared to paying by direct debit for the forthcoming period.

The prepayment meter (PPM) cap level will also decrease and will be £1,861, a £121 (6%) decrease compared to the previous level. The PPM cap level will be £27 higher compared to direct debit customers. This is primarily based on the higher cost for

⁶ More detail on our ASC bad debt decision can be found here - [Allowance for additional support credit bad debt costs](#)

⁷All 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 £.

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 £1,231 (a £70 (5%) decrease compared to the previous level), which means they will pay £12 more than direct debit customers.

Energy Price Guarantee

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 price⁸ 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 Statement⁹ 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

⁸ 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.

⁹ 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), 2,700kWh 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 £.

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	£994	£898
<i>of which CfD</i>	£9	£14
Policy	£156	£157
Adjustment allowance ¹⁰	£62	£11
Networks	£378	£381
<i>of which SoLR</i>	£18	£18
<i>of which non-SoLR</i>	£360	£363
Operating costs	£219	£221
Payment uplift	£16	£16
EBIT	£35	£42
Headroom	£22	£20
VAT	£94	£87
Total	£1,976	£1,834

Annex 2 – Changes to the Energy Price Cap split by payment method and meter type (Updated 2023 TDCV).

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

¹⁰ 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 3 – 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 (2023) TDCV and includes VAT.

Charge Restriction Region	Single Rate Electricity (2,700 kWh consumption)	Gas (11,500 kWh consumption)	Dual Fuel
North West	£924	£901	£1,825
Northern	£927	£892	£1,819
Yorkshire	£921	£893	£1,814
Northern Scotland	£953	£896	£1,849
Southern	£925	£912	£1,837
Southern Scotland	£953	£896	£1,848
N Wales and Mersey	£990	£905	£1,895
London	£908	£901	£1,809
South East	£932	£904	£1,837
Eastern	£915	£888	£1,803
East Midlands	£908	£886	£1,794
Midlands	£923	£892	£1,816
Southern Western	£948	£924	£1,873
South Wales	£939	£919	£1,858
GB average	£933	£901	£1,834

Annex 4 - 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 (2023) TDCV and includes VAT.

Charge Restriction Region	Single Rate Electricity (2,700 kWh consumption)	Gas (11,500 kWh consumption)	Dual Fuel
North West	£937	£913	£1,851
Northern	£941	£907	£1,848
Yorkshire	£934	£909	£1,843
Northern Scotland	£966	£910	£1,876
Southern	£939	£925	£1,864
Southern Scotland	£966	£910	£1,875
N Wales and Mersey	£1,003	£915	£1,919
London	£922	£915	£1,837
South East	£946	£917	£1,862
Eastern	£928	£906	£1,835
East Midlands	£921	£900	£1,822
Midlands	£937	£904	£1,841
Southern Western	£962	£944	£1,906
South Wales	£952	£929	£1,881
GB average	£947	£915	£1,861

Annex 5 - 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 (2023) TDCV and includes VAT.

Charge Restriction Region	Single Rate Electricity (2,700 kWh consumption)	Gas (11,500 kWh consumption)	Dual Fuel
North West	£987	£963	£1,949
Northern	£990	£953	£1,943
Yorkshire	£983	£954	£1,937
Northern Scotland	£1,017	£957	£1,974
Southern	£988	£974	£1,962
Southern Scotland	£1,017	£957	£1,974
N Wales and Mersey	£1,056	£966	£2,023
London	£970	£963	£1,933
South East	£995	£966	£1,961
Eastern	£977	£949	£1,926
East Midlands	£969	£947	£1,916
Midlands	£986	£953	£1,939
Southern Western	£1,012	£987	£1,999
South Wales	£1,003	£981	£1,983
GB average	£997	£962	£1,959

Annex 6 - 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 (2023) TDCV and includes VAT.

Charge Restriction Region for Multi Register Electricity (3,900 kWh consumption)	Direct Debit	Standard Credit	PPM
North West	£1,207	£1,284	£1,218
Northern	£1,207	£1,284	£1,219
Yorkshire	£1,202	£1,279	£1,214
Northern Scotland	£1,240	£1,319	£1,251
Southern	£1,212	£1,290	£1,224
Southern Scotland	£1,234	£1,313	£1,246
N Wales and Mersey	£1,282	£1,364	£1,294
London	£1,200	£1,277	£1,212
South East	£1,222	£1,300	£1,233
Eastern	£1,204	£1,281	£1,216
East Midlands	£1,191	£1,267	£1,202
Midlands	£1,208	£1,285	£1,219
Southern Western	£1,231	£1,310	£1,242
South Wales	£1,225	£1,303	£1,237
GB average	£1,219	£1,297	£1,231

