



Making a positive difference  
for energy consumers

To all market participants and  
interested parties

Email: [RetailPriceRegulation@ofgem.gov.uk](mailto:RetailPriceRegulation@ofgem.gov.uk)

Date: 23 February 2024

## Energy price cap (default tariff) update from 1 April 2024

Dear colleagues,

Today we have published the updated cap levels for charge restriction period ("cap period") 12a, covering the three months from 1 April to 30 June 2024.<sup>1</sup> 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)<sup>2</sup>.

### Levelisation

From 1 April 2024 we have decided to introduce measures to ensure prepayment (PPM) customers and Direct Debit customers under the price cap will pay the same standing charge, known as 'levelisation'.<sup>3</sup> Following assessment of feedback to our statutory consultation and further analysis, we consider there is a case that PPM customers should not pay a premium. The findings from our impact assessment are that a reduction in the PPM standing charge, as per our proposal, would result in an overall net benefit to consumers.

This policy replaces current support through the Energy Price Guarantee, but this support is due to expire at the end of March 2024. From 1 April 2024, the introduction of a levelisation allowance within the price cap will mean that Direct Debit customers will typically pay £10 more per year. However, prepayment customers will typically pay £49 per year less (or £52 per year less including VAT).

We have also set out the regional breakdown of the levelisation allowance in Annex 1, showing the impact of this policy on Direct Debit and prepayment customers across each region.

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

---

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

<sup>3</sup> Ofgem (2024), Decision on adjusting standing charges for prepayment customers, <https://www.ofgem.gov.uk/publications/decision-adjusting-standing-charges-prepayment-customers>

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.

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

Cap level	January 2024 to March 2024	April 2024 to June 2024	Change
Direct Debit	£1,928	£1,690	-£238
Standard Credit	£2,058	£1,796	-£261
PPM	£1,960	£1,643	-£317
Economy 7 (Direct Debit)	£1,272	£1,125	-£147

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 £.

**Direct Debit level** - The level of the Direct Debit price cap<sup>4</sup>, for cap period 12a (1 April to 30 June 2024) will decrease from £1,928 to £1,690 for a typical customer, after levelisation. This represents a decrease of £238 (12%) compared to the previous level (1 January to 30 April 2024). For electricity only customers on Economy 7 meters, the Direct Debit cap level will decrease from £1,272 to £1,125 which is a decrease of £147 (12%) compared to the previous level.

**PPM level** - The PPM cap level will also decrease and will be £1,643, a £317 (16%) decrease compared to the previous level. The PPM cap level will be £47 lower compared to Direct Debit cap level. This is primarily based on the decision to introduce a levelisation allowance, resulting in a £49 reduction in prepayment bills, which ensures prepayment customers pay the same level of standing charge compared to Direct Debit customers. For electricity only customers on Economy 7 meters, the PPM cap level will decrease to £1,101 (a £182 (14%) decrease compared to the previous level), which means they'll pay £23 less compared to paying by Direct Debit.

**Standard Credit level** - From 1 April 2024, the standard credit cap level will also decrease and will be £1,796, a £261 (13%) decrease compared to the previous level. Customers who pay by standard credit (cash or cheque) will pay an additional £106 compared to those who pay by Direct Debit for the forthcoming cap period. For electricity only customers on Economy 7 meters, the standard credit cap level will decrease to £1,192 (a £160 (12%) decrease compared to the previous level). This is an additional £67 compared to paying by Direct Debit for the forthcoming period.

You can [get energy price cap standing charges and unit rates by region](#) on the Ofgem website.

### What's driving the changes to the April – June 2024 cap level?

<sup>4</sup> 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 £.

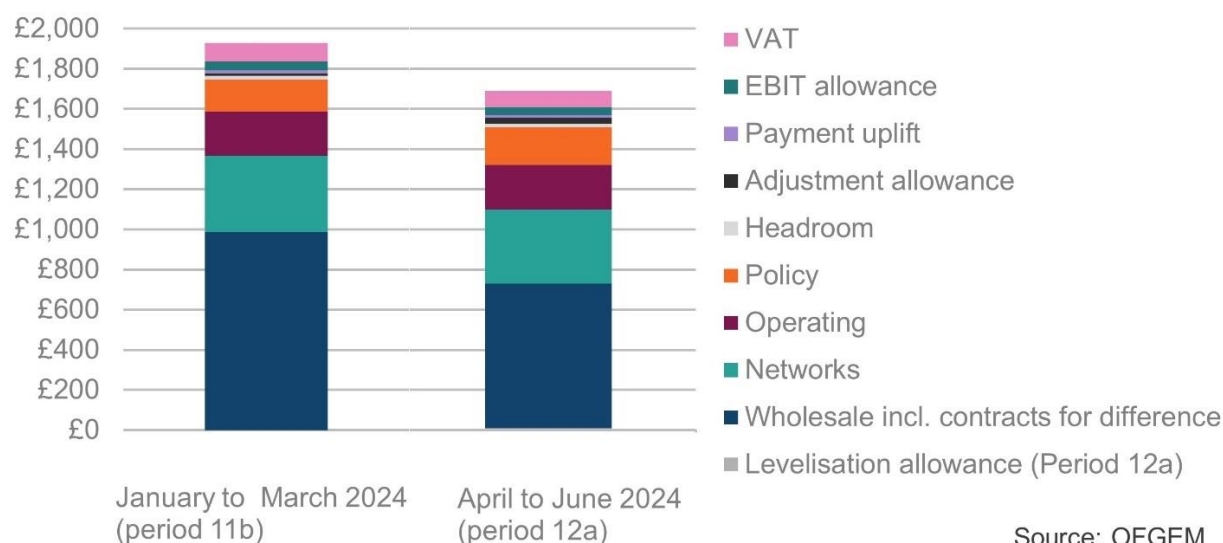
The main factors which have produced the change in the cap level are updates in the model inputs for:

- **Wholesale Costs** – The wholesale cost allowance has decreased from £985 to £720. In late summer and early autumn 2023 we saw some price rises due to a number of factors, including the outbreak of conflict in the Middle East. Since then we have not seen any feared supply disruptions come to pass, which has allowed prices to fall. Also, gas storage levels in Europe reached an all-time high before the start of winter, and due mostly to mild temperatures these storage levels have stayed very high. This has meant gas supplies for winter have been stable and secure, and therefore prices have continued to fall throughout winter. Additionally, we have seen France’s nuclear power fleet return to normal levels of generation after being hit with multiple outages last year, which has also caused power prices to fall. The contracts for difference allowance which is included within the wholesale costs has increased by £10 to £26.
- **Adjustment allowance** – The adjustment allowance has increased by £17. We have decided to introduce an adjustment to the price cap to account for additional debt related costs<sup>5</sup> driven by recent cost of living pressures. This will add £28 to a typical consumer bill. However, an allowance for COVID related costs (£11 per year), which has been in place from April 2023, will fall away from 1 April 2024.
- **Network costs** – The network cost allowance has decreased from £381 to £368 per year for a typical consumer. This has been driven primarily by a reduction in Supplier of Last Resort (SoLR) costs (-£17 per year) and balancing costs (-£33 per year). However, this has been offset to a large extent by increases in network standing charges, particularly for electricity distribution costs. Although network costs overall (at typical consumption) are reducing, these pressures have resulted in an increase to the electricity nil consumption level (effective standing charge) of £17 per year.
- **Policy costs** – The policy cost allowance has increased from £157 to £188 per year for a typical consumer. This has been driven primarily by an increase to both the Renewable Obligation (RO) scheme and the Great British Insulation scheme (GBIS). The RO allowance has increased by £11 due to inflationary pressures, as well as the increase in the Energy Intensive Industry exemption from 85% to 100%. The GBIS allowance has increased by £12 due to the annualised cost for the scheme year 2024/2025 increasing from £130m to £435m for 2023/2024.
- **Other costs** – Due to the reduction in the overall cap level (primarily due to the reduction in wholesale costs as outlined above), this has resulted in decreases to the indexed allowances, including for headroom (reduced by £3 or 15%), EBIT (reduced by £3 or 7%) and VAT (reduced by £11 or 12%).

---

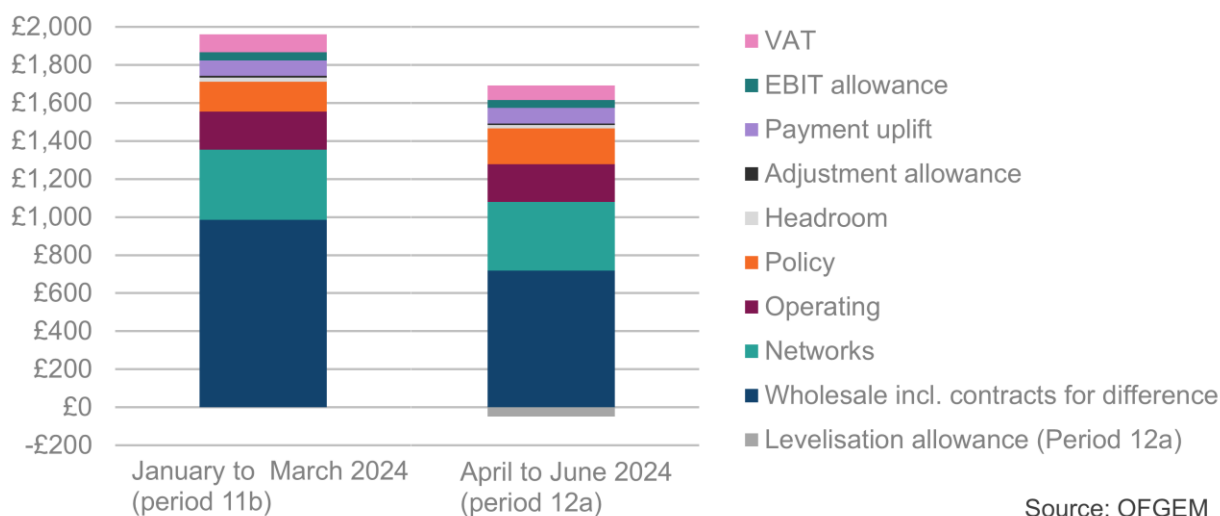
<sup>5</sup> Ofgem (2024), Energy price cap: additional debt costs review decision, <https://www.ofgem.gov.uk/publications/energy-price-cap-additional-debt-costs-review-decision>

## Costs included in energy price cap between January to June 2024, Direct Debit



Cost	January to March 2024 (period 11b)	April to June 2024 (period 12a)	Change
VAT	£92	£80	-£11
Earnings Before Interest and Tax (EBIT) allowance	£43	£40	-£3
Payment uplift	£16	£15	-£1
Adjustment allowance	£11	£28	£17
Headroom	£21	£18	-£3
Policy	£157	£188	£30
Operating	£221	£223	£2
Networks	£381	£368	-£13
Wholesale incl. contracts for difference	£985	£720	-£265
Levelisation allowance (Period 12a)	£0	£10	£10
<b>Total</b>	<b>£1,928</b>	<b>£1,690</b>	<b>-£238</b>

## Costs included in energy price cap between January to June 2024, prepayment meter



Cost	January to March 2024 (period 11b)	April to June 2024 (period 12a)	Change
VAT	£93	£78	-£15
Earnings Before Interest and Tax (EBIT) allowance	£44	£40	-£3
Payment uplift	£81	£82	£1
Adjustment allowance	£9	£9	£0
Headroom	£22	£18	-£4
Policy	£157	£188	£30
Operating	£199	£197	-£2
Networks	£370	£361	£10
Wholesale incl. contracts for difference	£985	£720	-£265
Levelisation allowance (Period 12a)	£0	-£49	-£49
<b>Total</b>	<b>£1,960</b>	<b>£1,643</b>	<b>-£317</b>

## **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,

**Dan Norton**  
**Deputy Director, Price Cap**

**Annex 1 – Regional breakdown of the impact of levelisation of standing charges for Direct Debit and prepayment customers**

<b>Region</b>	<b>Direct Debit Gas</b>	<b>Direct Debit Elec single rate</b>	<b>Direct Debit Elec multi rate</b>	<b>PPM Gas</b>	<b>PPM Elec single rate</b>	<b>PPM Elec multi rate</b>
North West	6.68	4.79	4.16	-29.67	-21.38	-21.97
Northern	6.54	4.51	3.67	-29.79	-21.30	-22.10
Yorkshire	6.46	4.62	4.60	-29.88	-21.26	-21.25
Northern Scotland	6.53	4.81	9.07	-29.82	-21.18	-16.88
Southern	3.61	2.89	4.40	-32.71	-23.04	-21.50
Southern Scotland	6.84	5.40	10.08	-29.50	-20.56	-15.85
North Wales and Mersey	7.68	5.80	5.52	-28.68	-20.09	-20.33
London	8.25	6.13	5.95	-28.08	-20.25	-20.39
South East	4.19	2.97	4.81	-32.15	-23.10	-21.21
Eastern	4.44	3.08	5.05	-31.89	-23.12	-21.09
East Midlands	4.79	3.85	2.88	-31.55	-22.24	-23.18
Midlands	6.06	4.49	4.93	-30.28	-21.48	-21.01
Southern Western	4.38	3.31	6.13	-31.93	-22.56	-19.71
South Wales	7.18	5.14	3.54	-29.15	-20.81	-22.38
<b>Great Britain average</b>	<b>5.97</b>	<b>4.41</b>	<b>5.34</b>	<b>-30.36</b>	<b>-21.60</b>	<b>-20.63</b>