



Making a positive difference
for energy consumers

To all market participants and
interested parties

Email: RetailPriceRegulation@ofgem.gov.uk

Date: 24 May 2024

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

Dear colleagues,

Today we have published the updated cap levels for charge restriction period ("cap period") 12b, covering the three months from 1 July to 30 September 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.

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

Cap level	April 2024 to June 2024	July 2024 to September 2024	Change
Direct Debit	£1,690	£1,568	-£122
Standard Credit	£1,796	£1,668	-£129
PPM	£1,643	£1,522	-£121
Economy 7 (Direct Debit)	£1,125	£1,037	-£87

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](#)

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 cap³ for cap period 12b (1 July to 30 September 2024) will decrease from £1690 to £1568 for a typical customer. This represents a decrease of £122 (7%) compared to the previous level (1 April to 30 June 2024). For electricity only customers on Economy 7 meters, the Direct Debit cap level will decrease from £1125 to £1037 which is a decrease of £87 (8%) compared to the previous level.

PPM level

The PPM cap level will also decrease and will be £1522, a £121 (7%) decrease compared to the previous level. The PPM cap level will be £46 lower compared to the Direct Debit cap level. For electricity only customers on Economy 7 meters, the PPM cap level will decrease to £1015 (a £87 (8%) decrease compared to the previous level), which means they'll pay £23 less compared to Economy 7 customers paying by Direct Debit.

Standard Credit level

From 1 July 2024, the standard credit cap level will also decrease and will be £1668, a £129 (7%) decrease compared to the previous level. Customers who pay by standard credit (cash or cheque) will pay an additional £100 compared to those who pay by Direct Debit. For electricity only customers on Economy 7 meters, the standard credit cap level will decrease to £1101, (a £92 (8%) decrease compared to the previous level), which means they'll pay £63 more compared to Economy 7 customers paying by Direct Debit.

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

What's driving the changes to the July to September 2024 cap level?

Wholesale costs

The wholesale cost allowance has decreased from £720 to £613. This is due to low demand through winter, driven primarily by lower industrial demand, energy saving measures, overall milder temperatures and adequate storage levels. Therefore, low demand coupled with secure supply has caused prices to fall.

The contracts for difference allowance which is included within the wholesale costs has increased from £26 to £37. This is due to a significant increase in forecast CfD payments made by suppliers for July to September 2024, October to December 2024 and January to March 2025.

Network costs

The network cost allowance has decreased from £368 to £363 per year for a typical consumer. This has been driven primarily by balancing costs (-£5 per year). This is a

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 £. As a result of rounding, sums may not match the totals included.

result of the transitional costs associated with changes to the way balancing costs are passed through the system to consumers being fully recovered.

Other costs

The reduction in the overall cap level (primarily due to the reduction in wholesale costs as outlined above), has resulted in decreases to the indexed allowances, including for headroom (reduced by £2 or 9%), EBIT (reduced by £2 or 4%) and VAT (reduced by £6 or 7%). Standing charges will remain broadly the same from 1 July 2024.

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.

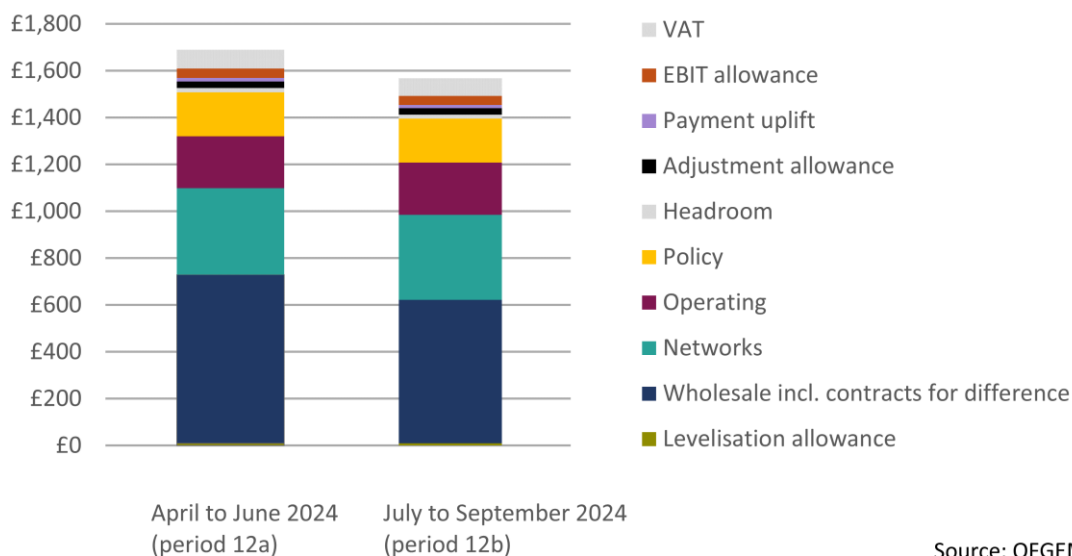
We will also continue to monitor the quality of service suppliers deliver to their customers and stand ready to take compliance and enforcement action in the event that any licence requirements or contract terms are not met.

Yours faithfully,

Christopher McDermott
Deputy Director, Price Cap

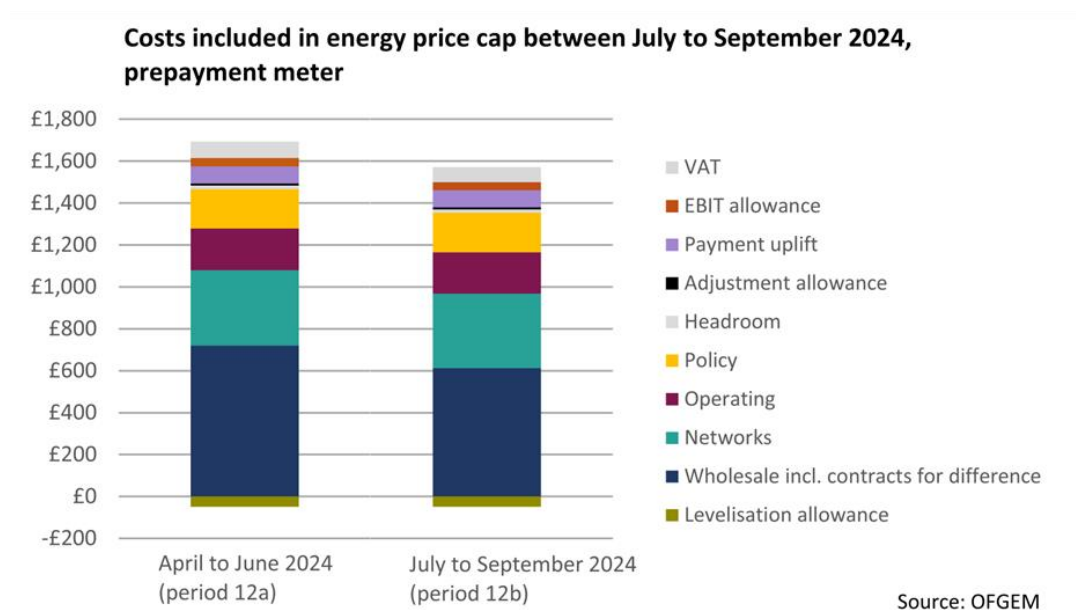
Annex 1 - Direct Debit Price Cap Cost Breakdown (July – September 2024)

Costs included in energy price cap between July to September 2024, Direct Debit



Cost	April to June 2024 (period 12a)	July to September 2024 (period 12b)	Change
VAT	£80	£75	-£6
Earnings Before Interest and Tax (EBIT) allowance	£40	£38	-£2
Payment uplift	£15	£15	-£1
Adjustment allowance	£28	£28	£0
Headroom	£18	£16	-£2
Policy	£188	£188	£0
Operating	£223	£223	£0
Networks	£368	£363	-£5
Wholesale incl. contracts for difference	£720	£613	-£107
Levelisation allowance	£10	£10	£0
Total	£1,690	£1,568	-£122

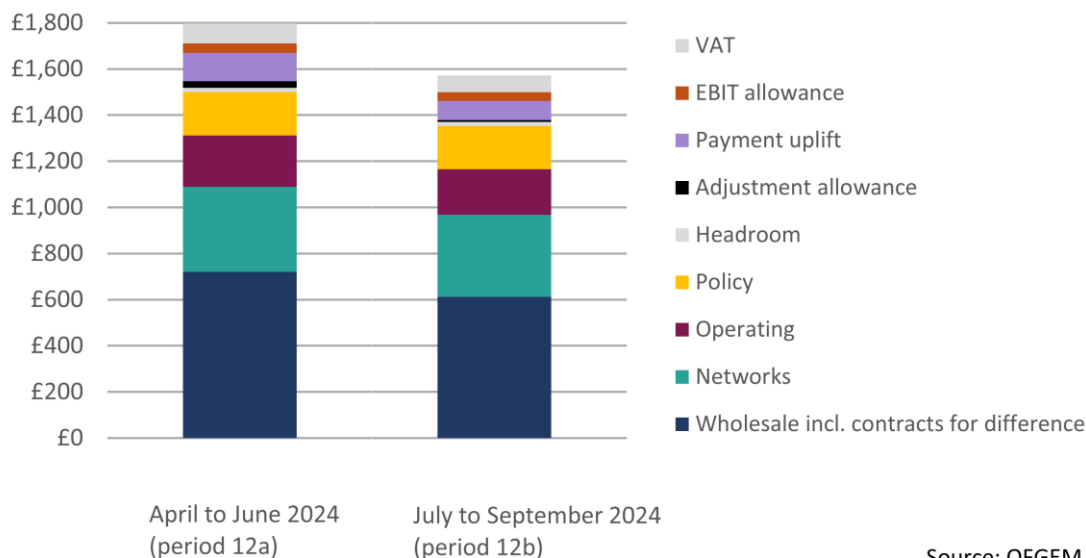
Annex 2 - Prepayment Price Cap Cost Breakdown (July – September 2024)



Cost	April to June 2024 (period 12a)	July to September 2024 (period 12b)	Change
VAT	£78	£72	-£6
Earnings Before Interest and Tax (EBIT) allowance	£40	£39	-£2
Payment uplift	£82	£82	£0
Adjustment allowance	£9	£9	£0
Headroom	£18	£17	-£2
Policy	£188	£188	£0
Operating	£197	£197	£0
Networks	£361	£355	-£5
Wholesale incl. contracts for difference	£720	£613	-£107
Levelisation allowance	-£49	-£50	£0
Total	£1,643	£1,522	-£121

Annex 3 - Standard Credit Price Cap Cost Breakdown (July – September 2024)

Costs included in energy price cap between July to September 2024, standard credit



Source: OFGEM

Cost	April to June 2024 (period 12a)	July to September 2024 (period 12b)	Change
VAT	£86	£79	-£6
Earnings Before Interest and Tax (EBIT) allowance	£41	£40	-£2
Payment uplift	£123	£117	-£7
Adjustment allowance	£28	£28	£0
Headroom	£19	£18	£2
Policy	£188	£188	£0
Operating	£223	£223	£0
Networks	£368	£363	-£5
Wholesale incl. contracts for difference	£720	£613	-£107
Levelisation allowance	£0	£0	£0
Total	£1,796	£1,668	-£129