



Making a positive difference
for energy consumers

To all market participants and
interested parties

Email: RetailPriceRegulation@ofgem.gov.uk

Date: 22 November 2024

Energy price cap (default tariff) update from 1 January 2025

Dear colleagues,

Today we have published the updated cap levels for charge restriction period ("cap period") 13b, covering the three months from 1 January to 31 March 2025.¹ 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	October to December 2024	January to March 2025	Change (£)	Change (%)
Direct Debit	£1,717	£1,738	£21	1.2%
Standard Credit	£1,829	£1,851	£22	1.2%
PPM	£1,669	£1,690	£21	1.3%
Economy 7 (Direct Debit)	£1,131	£1,150	£19	1.7%

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 (2023), [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 £ or %.

Direct Debit level - The level of the Direct Debit price cap³, for cap period 13b (1 January to 31 March 2025) will increase from £1,717 to £1,738 for a typical customer. This represents an increase of £21 (1%) compared to the previous level (1 October to 31 December 2024). For electricity only customers on Economy 7 meters, the Direct Debit cap level will increase from £1,131 to £1,150 which is an increase of £19 (2%) compared to the previous level.

Standard Credit level – From 1 January 2025, the standard credit cap level will also increase and will be £1,851, a £22 (1%) increase compared to the previous level. Customers who pay by standard credit (cash or cheque) will pay an additional £113 compared to those who pay by Direct Debit. Standard credit is the most expensive payment method option under the price cap. For electricity only customers on Economy 7 meters, the standard credit cap level will increase to £1,220 (a £20 (2%) increase compared to the previous level). This is an additional £70 compared to paying by Direct Debit.

PPM level - The PPM cap level will also increase and will be £1,690, a £21 (1%) increase compared to the previous level. The PPM cap level will be £48 lower compared to Direct Debit cap level. For electricity only customers on Economy 7 meters, the PPM cap level will increase to £1,125 (a £19 (2%) increase compared to the previous level), which means they'll pay £25 less compared to paying by Direct Debit.

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

What's driving the changes to the January – March 2025 cap level?

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 increased marginally by £19 (3%), from £736 to £755. Wholesale prices observed during the relevant period, including the Contracts for Difference costs included within the wholesale cost allowance have remained broadly stable compared with the previous price cap period (October – December 2024). In anticipation of the end of the Russia-Ukraine transit agreement, and therefore a possible increase in Europe's dependence on the global LNG market for imports, wholesale prices have remained elevated in recent months. Additionally, this winter is forecast for cooler weather which increases gas demand.
- **Other costs** – The increase in the overall cap level is primarily due to the increase in wholesale costs as outlined above. Other than wholesale costs, the remaining increase is due to small changes in costs which are indexed to the overall cap level, including headroom, EBIT and VAT. Collectively, these costs amount to an increase of £2. Standing charges will remain broadly the same from 1 January 2025.

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 £ or %.

Compliance with the price caps

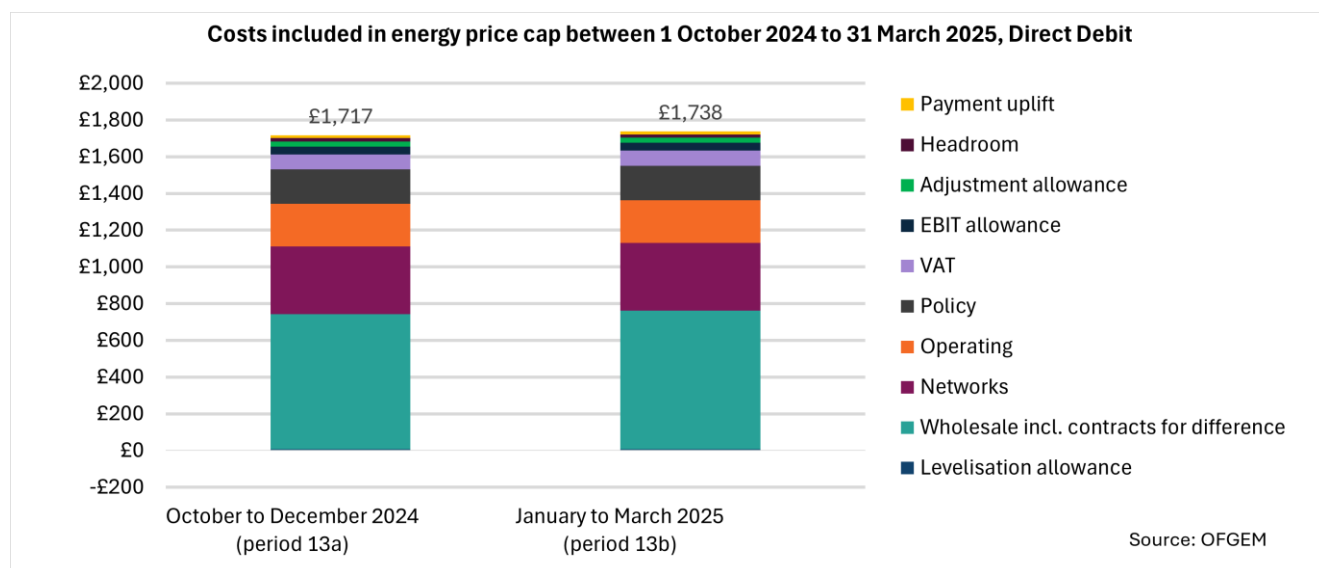
We expect suppliers to take seriously their obligations and comply with business-as-usual practices in line with Standard Licence Conditions. Ofgem will be closely monitoring supplier compliance and will continue to take firm action against suppliers who fall short of their requirements.

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,

Daniel Newport
Deputy Director, Price Cap

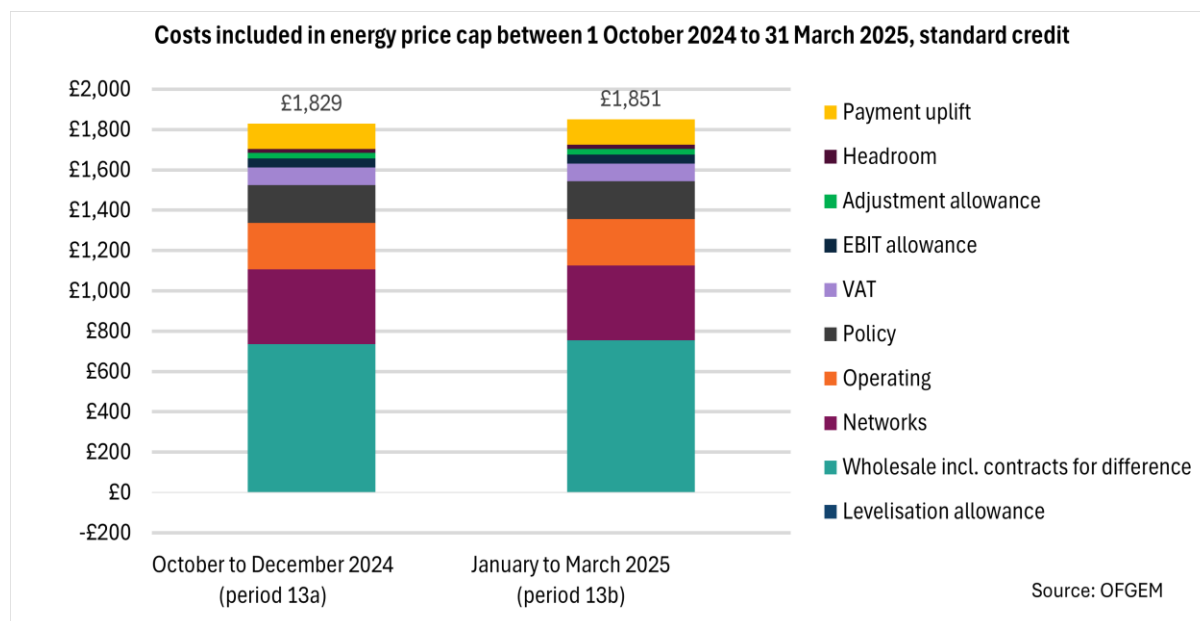
Annex 1 - Direct Debit Price Cap Cost Breakdown (January – March 2025)



Cost	October to December 2024	January to March 2025	Change (£)	Change (%)
VAT	£82	£83	£1	1.2%
Earnings Before Interest and Tax (EBIT) allowance	£43	£43	£0	0.7%
Payment uplift	£16	£16	£0	0.6%
Adjustment allowance	£28	£28	£0	0.0%
Headroom	£18	£18	£0	1.6%
Policy	£187	£187	£0	0.0%
Operating	£232	£232	£0	0.0%
Networks	£370	£370	£0	0.0%
Wholesale incl. contracts for difference	£736	£755	£19	2.6%
Levelisation allowance	£7	£7	£0	-0.5%
Total	£1,717	£1,738	£21	1.2%

Figures may not sum to total due to rounding.

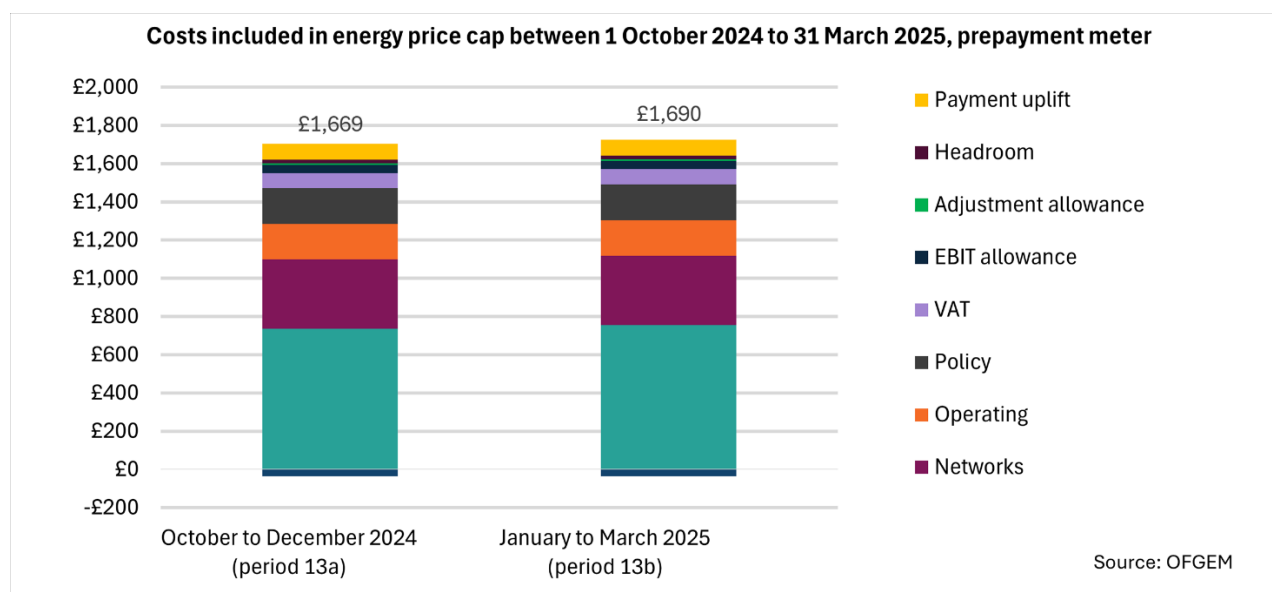
Annex 2 - Standard Credit Price Cap Cost Breakdown (January – March 2025)



Cost	October to December 2024	January to March 2025	Change (£)	Change (%)
VAT	£87	£88	£1	1.2%
Earnings Before Interest and Tax (EBIT) allowance	£44	£45	£0	0.7%
Payment uplift	£125	£126	£1	0.9%
Adjustment allowance	£28	£28	£0	0.0%
Headroom	£20	£20	£0	1.5%
Policy	£187	£187	£0	0.0%
Operating	£232	£232	£0	0.0%
Networks	£370	£370	£0	0.0%
Wholesale incl. contracts for difference	£736	£755	£19	2.6%
Levelisation allowance	£0	£0	£0	-
Total	£1,829	£1,851	£22	1.2%

Figures may not sum to total due to rounding.

Annex 3 - Prepayment Price Cap Cost Breakdown (January – March 2025)



Cost	October to December 2024	January to March 2025	Change (£)	Change (%)
VAT	£79	£80	£1	1.3%
Earnings Before Interest and Tax (EBIT) allowance	£43	£43	£0	0.7%
Payment uplift	£83	£83	£0	0.0%
Adjustment allowance	£9	£9	£0	0.0%
Headroom	£18	£18	£0	1.6%
Policy	£187	£187	£0	0.0%
Operating	£187	£187	£0	0.0%
Networks	£363	£363	£0	0.0%
Wholesale incl. contracts for difference	£735	£755	£19	2.6%
Levelisation allowance	£-35	£-35	£0	0.1%
Total	£1,669	£1,690	£21	1.3%

Figures may not sum to total due to rounding.