



Making a positive difference
for energy consumers

To all market participants and
interested parties

Email: RetailPriceRegulation@ofgem.gov.uk

Date: 23 May 2025

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

Dear colleagues,

Today we have published the updated cap levels for charge restriction period ("cap period") 14b, covering the three months from 1 July to 30 September 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 at medium consumption.

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.

Alongside the cap levels, we have also published our decision regarding a restructuring of the operating cost allowances to provide greater transparency of where various costs are captured in the cap. Annex 1 sets out where and how the existing cost allowances (payment uplift, additional bad debt costs and smart metering costs) will feature in the cap from 1 July 2025. This new structure allows us to apply different calculations and updates where appropriate. You can read more about this in our [decision on the operating cost and debt allowances](#).

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) 2016/1011 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](#)

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

Cap level	April to June 2025	July to September 2025	Change (£)	Change (%)
Direct Debit	£1,849	£1,720	-£129	-7%
Standard Credit	£1,969	£1,855	-£113	-6%
PPM	£1,803	£1,672	-£130	-7%
Economy 7 (Direct Debit)	£1,201	£1,145	-£56	-5%

All bill values presented in this document are calculated using the current Typical Domestic Consumption Values (TDCVs) at medium consumption, 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 14b (1 July to 30 September 2025) will decrease from £1,849 to £1,720 for a typical customer. This represents a decrease of £129 (7%) compared to the previous level (1 April to 30 June 2025). For electricity only customers on Economy 7 meters, the Direct Debit cap level will decrease from £1,201 to £1,145 which is a decrease of £56 (5%) compared to the previous level.

Standard Credit level – From 1 July 2025, the standard credit cap level will also decrease and will be £1,855, a £113 (6%) decrease compared to the previous level. Customers who pay by standard credit (cash or cheque) will pay an additional £136 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 decrease to £1,227 (a £48 (4%) decrease compared to the previous level). This is an additional £82 compared to paying by Direct Debit.

PPM level - The PPM cap level will also decrease and will be £1,672, a £130 (7%) decrease compared to the previous level. The PPM cap level will be £47 lower compared to Direct Debit cap level. For electricity only customers on Economy 7 meters, the PPM cap level will decrease to £1,115 (a £61 (5%) decrease compared to the previous level), which means they'll pay £30 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.

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 %.

What's driving the changes to the July – September 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 decreased by £106 (13%), from £841 to £734. Wholesale prices observed during the relevant period have decreased compared with the previous price cap period. GB's wholesale gas prices are highly influenced by global market dynamics due to its reliance on European and international energy markets. The price decline over the last three months is likely driven by global economic uncertainty following the US tariff announcement (potentially reducing global gas demand) and the EU's proposal to ease gas storage requirements for the upcoming winter (potentially reducing European gas demand). Optimism around increased supply of Russian gas exports (following peace talks with Ukraine) also contributed to declining prices early on, though this is now unlikely to materialise given the EU's plan to phase out Russian gas. Despite this drop, prices remain elevated compared to last year, largely due to low EU gas storage levels at the end of winter 2024/25—around 34% full—and the continued reduction in Russian pipeline gas since January 2025. Despite the potential ease of gas storage, this shortfall means Europe will need to rely more heavily on costly LNG imports to replenish storage over this summer for upcoming winter.
- **Operating, debt and industry costs** – As explained previously, we have published our decision on the operating cost and debt allowances review, which includes our decision to restructure the operating cost allowances to provide greater transparency of where various types of costs are captured.

Operating costs in aggregate will decrease by £15 from £279 to £264 from 1 July 2025. However, operating costs from 1 July onwards will no longer be directly comparable with any reference to operating costs in the price cap prior to 1 July 2025, due to the structural changes introduced as part of our Operating Cost review.⁴

- **Standing charges:** From 1 July 2025, Britain's standing charges will reduce for most households due to the operating cost and debt allowances decision. Standing charges will reduce by £19 (6%), out of which electricity standing charges will reduce by £9 (5%) and gas standing charges reduces by £10 (9%). Electricity standing charges on average will fall by 2.4p per day (5%) and gas standing charges will broadly decrease by 2.8p per day (9%) for a typical consumer (incl VAT).

⁴ This £15 (TDCV) figure for operating costs from 1 July includes net impact of changes in the following allowances: the removal of the Operating Cost allowance (OC) (-£213), the removal of the Debt Related Cost Adjustment Allowance (AA) (-£28), removal of the Payment Method Uplift (PAAC and PAP) (-£16), introduction of a new Core Operating Cost Allowance (CO) (£186), introduction of a new Industry Charges allowance (IC) (£31), the introduction of a new Debt Related Cost Allowance (DRC) (£50) and changes to the SMNCC allowance (-£26). Note - £15 total may not sum due to rounding.

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 – Changes to the Operating Cost Allowance

Operating, debt and industry costs

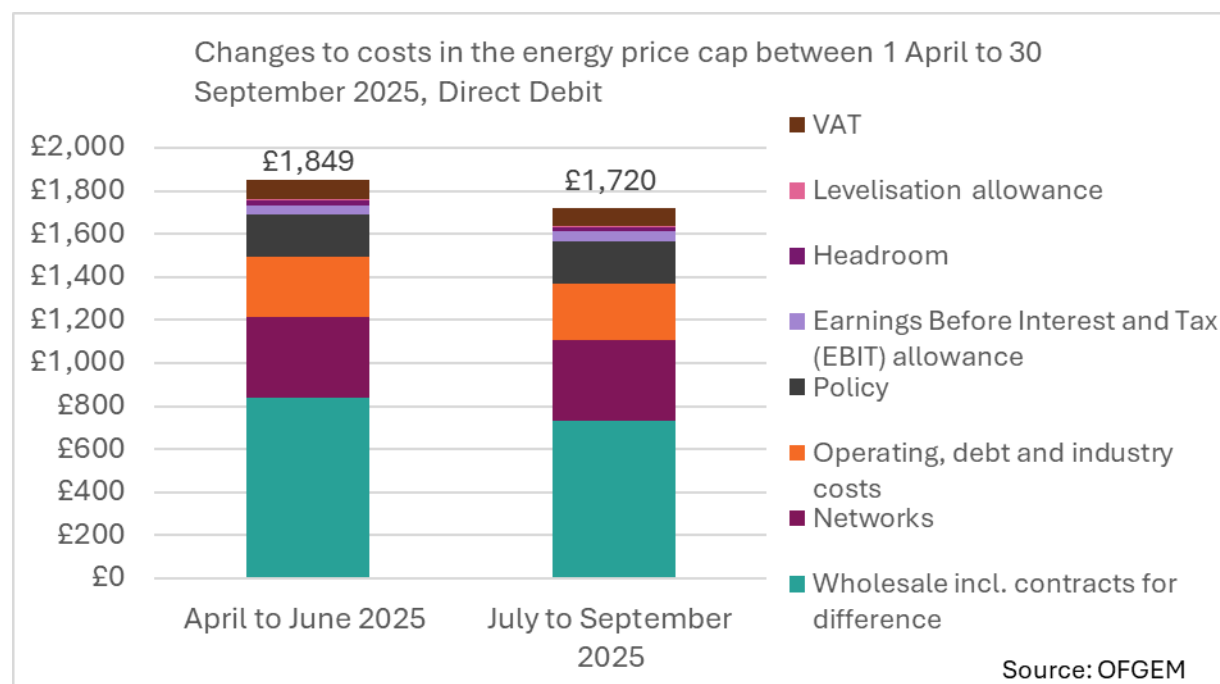
From July 2025, operating, debt and industry costs include supplier operating costs (core operating cost allowance), industry charges, smart related costs as well as debt related costs. Adjustment allowance has been removed for this period as debt related costs are now included within supplier operating costs alongside elements of the payment uplift. This means operating and industry costs will not be directly comparable with operating costs prior to July 2025. More detail can be found in our [operating cost review decision](#).

Mapping of the new allowances against the existing allowances

New allowances under the operating costs review	Elements of existing allowances used to create like-for-like comparison
Core operating costs (CO)	<p>Operating costs for a Direct Debit customer (OC)</p> <ul style="list-style-type: none">Direct Debit operating costs paid by Direct Debit customers (deducting the elements moved to industry charges and debt-related costs) <p>Change in smart metering costs from the 2017 baseline (SMNCC)</p> <ul style="list-style-type: none">New baseline will include non-pass-through smart metering costs in that year – so will reflect changes in smart metering costs between 2017 and 2023For PPM, we currently offset uncertainty over traditional PPM costs against part of the modelled reduction in smart metering costs. This step will not be required with a revised (2023) baseline <p>Fixed element of payment method uplift (PAAC)</p> <ul style="list-style-type: none">For Standard Credit, additional non-debt operating costs compared to Direct Debit (eg additional customer contact costs)For PPM, additional operating costs compared to Direct Debit, based on a portfolio of largely traditional meters. (Note – in 2023 suppliers' actual PPM costs would be based on a mix of traditional and smart PPMs)
Debt- related costs allowance (DRC)	<p>Operating costs for a Direct Debit customer (OC)</p> <ul style="list-style-type: none">Bad debt and debt-related administrative costs for serving a Direct Debit customer <p>Fixed element of payment method uplift (PAAC)</p>

New allowances under the operating costs review	Elements of existing allowances used to create like-for-like comparison
	<ul style="list-style-type: none"> For Standard Credit, additional debt-related administrative costs compared to Direct Debit For PPM, incremental bad debt costs relative to Direct Debit (negative) <p>Variable element of payment method uplift (PAP)</p> <ul style="list-style-type: none"> Additional bad debt costs of serving Standard Credit customers (currently partly allocated to Direct Debit) Reallocation of working capital costs (from EBIT) between Direct Debit and Standard Credit. (Note – we may include a working capital reallocation in future for PPM as well). <p>Change in smart metering costs since the 2017 baseline (SMNCC)</p> <ul style="list-style-type: none"> Very small modelled impact from smart meter rollout on debt would be reflected in debt RFI data
Smart metering net cost change (SMNCC)	<p>Change in operating costs resulting from smart meter rollout from the 2017 baseline (Non-pass-through NPT SMNCC)</p> <ul style="list-style-type: none"> Additional rollout since 2023 will affect NPT SMNCC
<p>Industry charges (IC) (also includes other new industry schemes which are not explicitly included in the current allowance, ie costs for the Retail Energy Code Company and the Distribution Connection and Use of System Agreement)</p>	<p>Operating costs for a Direct Debit customer (OC)</p> <ol style="list-style-type: none"> Elexon and Xoserve charges (explicitly included in current operating cost baseline) Other non-smart industry charges (implicitly included in current operating costs baseline) <p>Pass-through SMNCC (including costs for Data Communications Company, Smart Energy GB, Smart Meter Installation Code of Practice) in 2017</p> <p>SMNCC- Change in smart metering pass-through costs from the 2017 baseline</p> <ul style="list-style-type: none"> Change in smart metering pass-through costs from the 2017 baseline

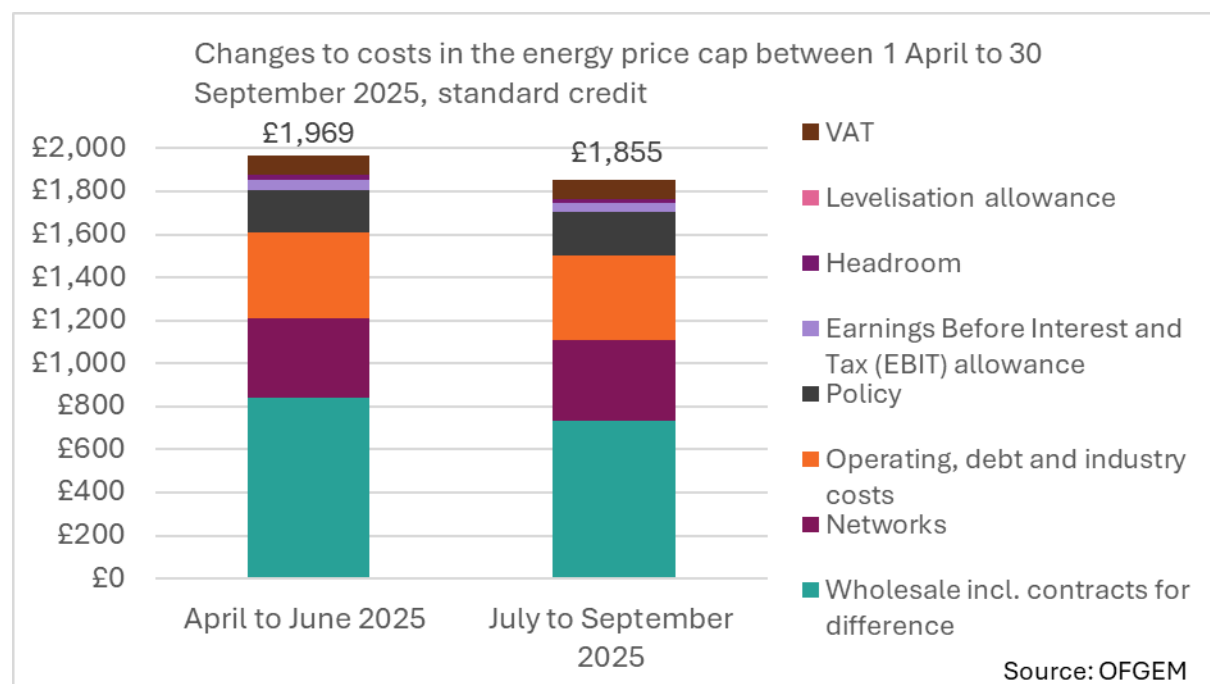
Annex 2 - Direct Debit Price Cap Cost Breakdown



Cost	April to June 2025	July to September 2025	Change (£)	Change (%)
Wholesale incl. contracts for difference	£841	£734	-£106	-13%
Networks	£372	£372	£0	0%
Operating, debt and industry costs	£279	£264	-£15	-6%
Policy	£198	£198	£0	0%
Earnings Before Interest and Tax (EBIT) allowance	£45	£43	-£2	-4%
Headroom	£20	£18	-£2	-9%
Levelisation allowance	£6	£8	£2	36%
VAT	£88	£82	-£6	-7%
Total	£1,849	£1,720	-£129	-7%

Figures may not sum to total due to rounding.

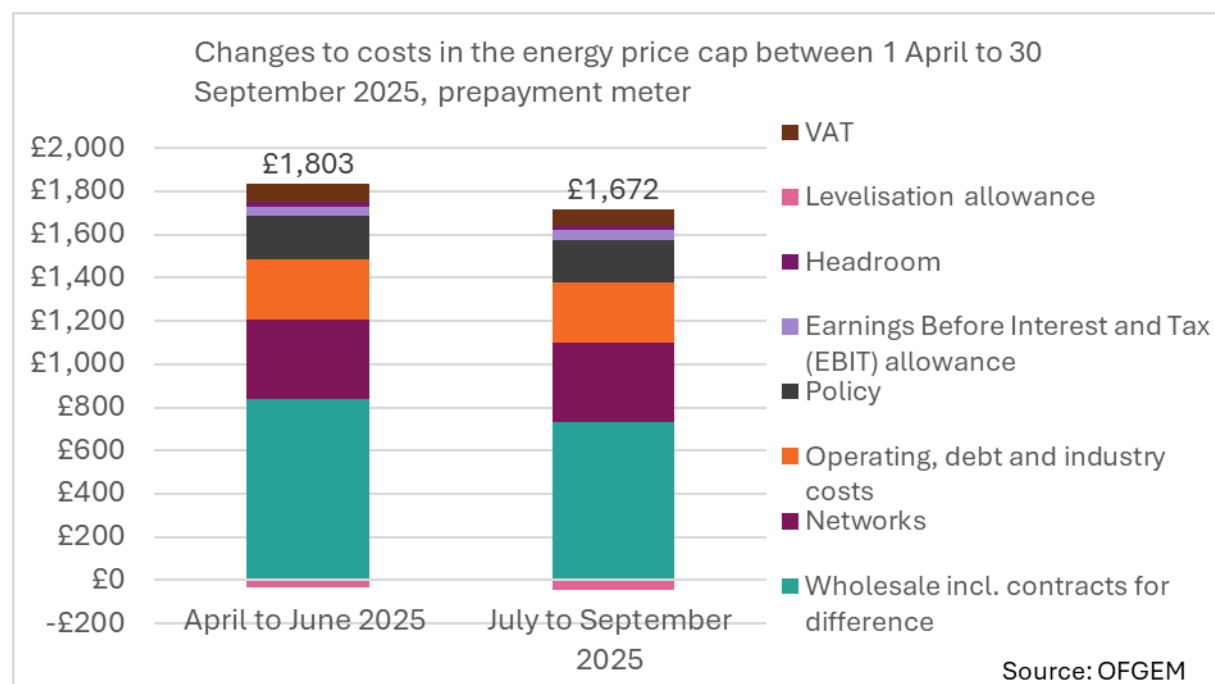
Annex 3 – Standard Credit Price Cap Cost Breakdown



Cost	April to June 2025	July to September 2025	Change (£)	Change (%)
Wholesale incl. contracts for difference	£841	£734	-£106	-13%
Networks	£372	£372	£0	0%
Operating, debt and industry costs	£396	£398	£2	0%
Policy	£198	£198	£0	0%
Earnings Before Interest and Tax (EBIT) allowance	£46	£45	-£2	-3%
Headroom	£22	£20	-£2	-7%
Levelisation allowance	£0	£0	£0	-
VAT	£94	£88	-£5	-6%
Total	£1,969	£1,855	-£113	-6%

Figures may not sum to total due to rounding.

Annex 4 – Prepayment Price Cap Cost Breakdown



Cost	April to June 2025	July to September 2025	Change (£)	Change (%)
Wholesale incl. contracts for difference	£841	£734	-£107	-13%
Networks	£366	£366	£0	0%
Operating, debt and industry costs	£280	£279	-£1	0%
Policy	£198	£198	£0	0%
Earnings Before Interest and Tax (EBIT) allowance	£45	£43	-£2	-3%
Headroom	£20	£18	-£2	-8%
Levelisation allowance	-£33	-£46	-£13	40%
VAT	£86	£80	-£6	-7%
Total	£1,803	£1,672	-£130	-7%

Figures may not sum to total due to rounding.