



Making a positive difference
for energy consumers

To all market participants and
interested parties

Email: retailpriceregulation@ofgem.gov.uk

Date: 27 August, 2025

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

Dear colleagues,

Today we have published the updated cap levels for charge restriction period ("cap period") 15a, covering the three months from 1 October to 31 December 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) 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 are also publishing a number of technical consultations covering:

- the [introduction of an allowance to cover the costs to suppliers of the Nuclear Regulated Asset Base \(nRAB\)](#), which supports the funding of new nuclear power development legislated by the government,
- a [potential update to our assumptions in the calculations for benchmark consumption](#),
- [potential changes to the backwardation deadband element of the wholesale allowance](#),
- [updating the electrical loss assumptions to include an adjustment](#) to account for adjustments used in settlement,
- [an interim decision](#) and a [call for input on the Unidentified Gas allowance](#),
- A [call for input on our approach to cost pass through of the Contract for Difference scheme \(CfD\)](#).

We also publish our [annual letter regarding Smart Metering Net Cost Change allowances](#) and a [consultation on extending the Ban on Acquisition Tariffs](#) for a further year.

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.

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

Cap level	July to September 2025	October to December 2025	Change (£)	Change (%)
Direct Debit	£1,720	£1,755	£35	2%
Standard Credit	£1,855	£1,890	£35	2%
PPM	£1,672	£1,707	£35	2%
Economy 7 (Direct Debit)	£1,145	£1,179	£34	3%

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 cap, for cap period 15a (1 October to 31 December 2025) will increase from £1,720 to £1,755 for a typical customer. This represents an increase of £35 (2%) compared to the previous level for cap period 14b (1 July to 30 September 2025).

For electricity only customers on Economy 7 meters, the Direct Debit cap level will increase from £1,145 to £1,179 which is an increase of £34 (3%) compared to the previous level.

Standard Credit level – The level of the Standard Credit price cap, for cap period 15a (1 October to 31 December 2025) will also increase from £1,855 to £1,890, a £35 (2%) increase compared to the previous level for cap period 14b (1 July to 30 September 2025). 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 increase from £1,227 to £1,262 which is an increase of £36 (3%) compared to the previous level. This is an additional £84 compared to those customers on Economy 7 meters paying by Direct Debit.

PPM level – The level of the PPM price cap, for cap period 15a (1 October to 31 December 2025) will also increase from £1,672 to £1,707, a £35 (2%) increase compared to the previous level for cap period 14b (1 July to 30 September 2025). 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 from £1,115 to £1,149 which is an increase of £34 (3%) compared to the previous level. This is £30 less than those customers on Economy 7 meters 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 October - December 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 £15 (2%), from £734 to £720. Wholesale prices observed during the relevant period have decreased compared with the previous price cap period due to a number of reasons. Great Britain's wholesale gas prices are highly influenced by global market dynamics due to its reliance on European and international energy markets. Over the past three months, prices have declined—primarily driven by reduced non-European demand (particularly China), which has eased competition for LNG supplies. This trend is further supported by increased and expected increase global gas production, particularly from the United States, and the EU's decision to relax gas storage requirements ahead of winter (reducing gas storage demand). Despite the overall downward movement, price volatility persisted, largely due to geopolitical developments such as heightened tensions between Iran and Israel in June and shifts in U.S. trade policies. There has also been a change to the methodology for the calculation of the unidentified gas allowance which has added £5 to the wholesale cost allowance.
- **Policy Costs:** The policy cost allowance has increased by £17 (9%) from £198 to £215 per year for a typical consumer. More details about this can be found on the Ofgem website at [Policy Update: Warm Home Discount and Contracts for Difference](#). Our approach here is in line with existing cap methodology, however, we are considering stakeholder feedback in response to this update, including a reconciliation and a longer-term approach.
- **Network costs:** The network cost allowance has increased by £24 (6%), from £372 to £396 per year for a typical consumer primarily driven by an increase in electricity balancing costs and to a lesser extent gas network costs. The rise balancing costs is due to higher balancing and internal costs, plus a revised recovery method that stabilizes NESO's cash flow and avoids tariff resets. The increase in gas network costs is driven mainly by updated assumptions to reflect the outcome of Xoserve's 5 yearly seasonal normal weather review, as well as a small increase in the Non-Transmission Services exit charge.
- **Other Costs:** The increase in the overall cap level has led to consequential increases to the indexed allowances like VAT which has increased by £2 or 2%. In addition, operating, debt and industry costs have increased by £6 or 2%.

Compliance with the price caps

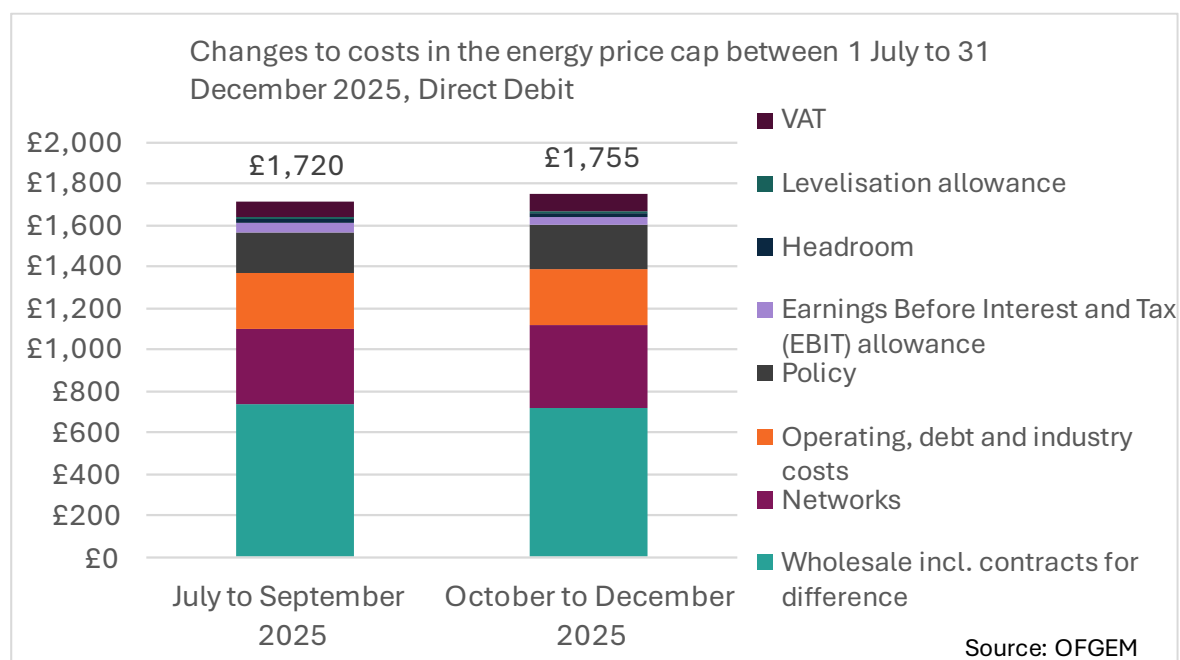
We expect suppliers to take seriously their obligations and comply with business-as-usual practices in line with Standard Licence Conditions. Ofgem will be closely monitoring supplier compliance and will continue to take firm action against suppliers who fall short of their requirements.

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

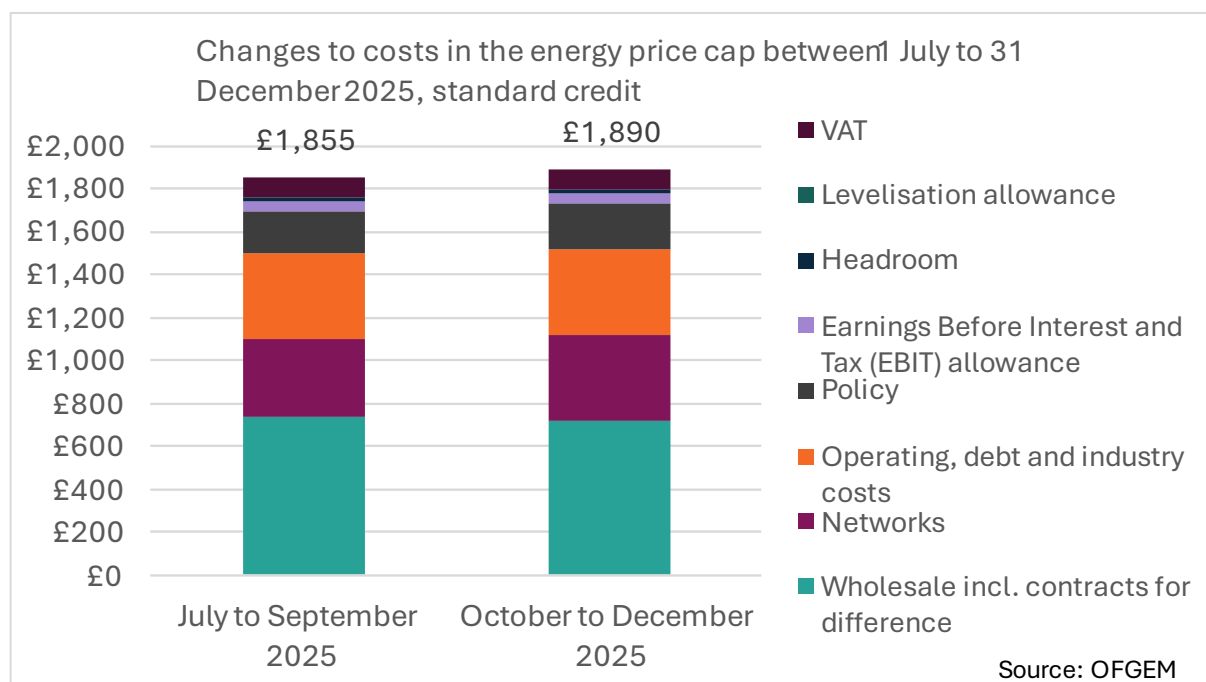
Annex 1 - Direct Debit Price Cap Cost Breakdown



Cost	July to September 2025	October to December 2025	Change (£)	Change (%)
Wholesale incl. contracts for difference	£734	£720	-£15	-2%
Networks	£372	£396	£24	6%
Operating, debt and industry costs	£264	£270	£6	2%
Policy	£198	£215	£17	9%
Earnings Before Interest and Tax (EBIT) allowance	£43	£42	-£1	-2%
Headroom	£18	£18	£0	1%
Levelisation allowance	£8	£10	£2	19%
VAT	£82	£84	£2	2%
Total	£1,720	£1,755	£35	2%

Figures may not sum to total due to rounding.

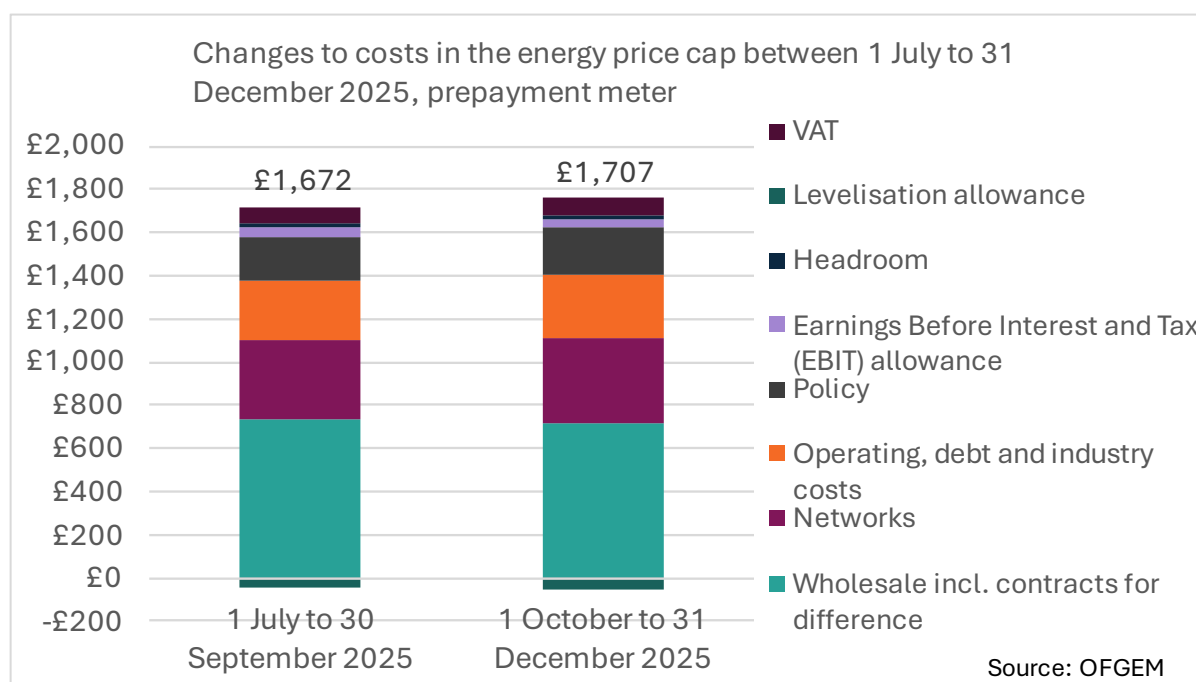
Annex 2 – Standard Credit Price Cap Cost Breakdown



Cost	July to September 2025	October to December 2025	Change (£)	Change (%)
Wholesale incl. contracts for difference	£734	£720	-£15	-2%
Networks	£372	£396	£24	6%
Operating, debt and industry costs	£398	£406	£8	2%
Policy	£198	£215	£17	9%
Earnings Before Interest and Tax (EBIT) allowance	£45	£44	-£1	-2%
Headroom	£20	£20	£0	1%
Levelisation allowance	£0	£0	£0	-
VAT	£88	£90	£2	2%
Total	£1,855	£1,890	£35	2%

Figures may not sum to total due to rounding.

Annex 3 – Prepayment Price Cap Cost Breakdown



Cost	July to September 2025	October to December 2025	Change (£)	Change (%)
Wholesale incl. contracts for difference	£734	£719	-£15	-2%
Networks	£366	£391	£24	7%
Operating, debt and industry costs	£279	£296	£17	6%
Policy	£198	£215	£17	9%
Earnings Before Interest and Tax (EBIT) allowance	£43	£42	-£1	-2%
Headroom	£18	£19	£0	1%
Levelisation allowance	-£46	-£56	-£10	22%
VAT	£80	£81	£2	2%
Total	£1,672	£1,707	£35	2%

Figures may not sum to total due to rounding.