

## SCHEDULE 1

Regulation 15

### Determination of aggregate non-core spending obligation

#### General

1. The Secretary of State must determine the aggregate non-core spending obligation for a scheme year (“the current year”) in accordance with this Schedule.

#### Meaning of “the initial overall spending target”

2. For the purposes of this Schedule “the initial overall spending target” is—
- (a) £474 million for scheme year 12;
  - (b) £494 million for scheme year 13;
  - (c) £501 million for scheme year 14;
  - (d) £511 million for scheme year 15.

#### Step one: core group spending estimate

3.—(1) The Secretary of State must estimate the aggregate amount of prescribed rebates (if any) to be provided by scheme electricity suppliers under Part 3 in the current year.

- (2) This estimate is referred to in this Schedule as “the CGS estimate”.

#### Step two: calculation of adjusted overall spending target

4.—(1) The Secretary of State must adjust the initial overall spending target for the current year (“IOST”) in accordance with this paragraph to calculate the adjusted overall spending target.

- (2) First, the Secretary of State must—
- (a) review the relevant estimate for the relevant year (with any reduction or increase previously made to that estimate under the 2011 Regulations or these Regulations (as the case may be)) (“RE”),
  - (b) increase or reduce RE, if it appears to the Secretary of State that the aggregate amount of benefits provided under the core spending Part in the relevant year will be greater or less than RE, and
  - (c) if the Secretary of State increases or reduces RE, adjust IOST in accordance with subparagraph (3) or (4).
- (3) If RE is reduced, IOST may be increased by an amount not exceeding—
- (a) in scheme year 12, an amount equal to 90.6% of that reduction, or
  - (b) in any other case, the amount of that reduction.
- (4) If RE is increased, IOST may be reduced by an amount not exceeding—
- (a) in scheme year 12, an amount equal to 90.6% of that increase, or
  - (b) in any other case, the amount of that increase.
- (5) The Secretary of State must then—
- (a) calculate for the current year the difference between—
    - (i) the aggregate amount of benefits provided under the core spending Part in the year a-2 (“amount A”), and

- (ii) the relevant estimate (with any increase or reduction previously made to it) for year a-2 (“amount B”), and
  - (b) if amount A exceeds or is less than amount B, in addition to any adjustment made in accordance with sub-paragraph (2), adjust IOST in accordance with sub-paragraph (6) or (7).
- (6) If amount A is greater than amount B, IOST may be reduced by an amount not exceeding—
  - (a) in scheme years 12 and 13, an amount corresponding to 90.6% of (A – B), or
  - (b) in any other case, (A – B).
- (7) If amount A is less than amount B, IOST may be increased by an amount not exceeding—
  - (a) in scheme years 12 and 13, an amount corresponding to 90.6% of (B – A), or
  - (b) in any other case, (B – A).
- (8) The adjusted overall spending target for the current year is IOST as adjusted in accordance with this paragraph.
- (9) For the purposes of this paragraph, the relevant estimate is—
  - (a) for scheme year 10, the core group spending estimate (within the meaning of Schedule 1 to the 2011 Regulations as it had effect for the purposes of scheme year 10) for that scheme year;
  - (b) for scheme year 11, the core group spending estimate (within the meaning of Schedule 1 to the 2011 Regulations as it had effect for the purposes of scheme year 11) for that scheme year;
  - (c) for any other scheme year, the CGS estimate for that scheme year.
- (10) In this paragraph—
  - “core spending Part”—
    - (a) in relation to scheme year 10, means Part 3 of the 2011 Regulations as it had effect for the purposes of that scheme year;
    - (b) in relation to scheme year 11, means Part 3 of the 2011 Regulations as it had effect for the purposes of that scheme year;
    - (c) otherwise, means Part 3 of these Regulations;
  - “the relevant year” means—
    - (a) where the current year is scheme year 12, scheme year 11;
    - (b) otherwise, the scheme year immediately preceding the current year;
  - “scheme year 10” has the meaning given by regulation 2(1) of the 2011 Regulations;
  - “year a-2”—
    - (a) where the current year is scheme year 12, means scheme year 10;
    - (b) where the current year is scheme year 13, means scheme year 11;
    - (c) where the current year is scheme year 14, means scheme year 12;
    - (d) where the current year is scheme year 15, means scheme year 13.

### **Step three: aggregate non-core spending obligation**

5.—(1) Finally, the Secretary of State must calculate the aggregate non-core spending obligation for the current year in accordance with sub-paragraph (2).

- (2) The aggregate non-core spending obligation for the current year is  $T - E$  where—

“T” is the adjusted overall spending target for that year, and  
“E” is the CGS estimate for that year.