



Department
of Energy &
Climate Change

Annex D: Levy Control Framework Update

Extending the Framework to 2020/21

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This document provides further information on how the Levy Control Framework will be extended to 2020/21 for electricity policy in order to support Electricity Market Reform.

What is the Levy Control Framework?

1. The Levy Control Framework (LCF) is a part of the Government's public spending framework. It places limits on the aggregate amount levied from consumers by energy suppliers to implement Government policy. In effect, it specifies the maximum allowable spending on levy-funded policies and thereby helps protect energy consumers from excessive levies on their energy bills.
2. Further detail on the mechanisms of the Levy Control Framework can be found in "Control framework for DECC levy-funded spending"¹ and in the associated Questions and Answers document.²

How will the Levy Control Framework be extended to 2020/21?

3. The mechanisms and headroom arrangements underpinning the Levy Control Framework remain unchanged. However, the maximum level of levy spend for electricity policies has now been agreed for each year between 2015/16 and 2020/21. The LCF has been extended specifically for electricity policies in order to inform decisions on Electricity Market Reform and to provide investors in the sector with greater certainty on future levels of support.
4. Table 1 below shows the upper limits to electricity policy levies agreed under the Levy Control Framework. These caps are upper limits on the levies raised to fund electricity policies like the Renewables Obligation, Feed-in Tariffs and Contracts for Difference (CfDs), but are intended to cover electricity policy in general, and would therefore apply equally to any future levy-funded electricity policy.
5. These caps do not include the Capacity Market. Nor do they apply to non-electricity policies that are levy-funded, like the Warm Home Discount.

Table 1: Upper Limits to Electricity Policy Levies, 2011/12 prices

2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
£4.30bn	£4.90bn	£5.60bn	£6.45bn	£7.00bn	£7.60bn

¹ HM Treasury. 2011. *Control Framework for DECC Levy-Funded Spending*. 2011. ISBN 978-1-84532-868-9. Available at: http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/d/control_framework_decc250311.pdf

² Department of Energy & Climate Change. 2011. *Control Framework for DECC Levy-Funded Spending: Questions and Answers*. 2011. URN 11D/675. Available at: <https://www.gov.uk/government/publications/control-framework-for-decc-levy-funded-spending-questions-and-answers>

6. The figures shown in Table 1 are in real 2011/12 prices. As with public spending controls generally, the actual limits will be set in nominal terms. The nominal limits will be set alongside spending reviews for the relevant spending review period, and will be calculated using the figures shown in Table 1 adjusted using the then relevant inflation forecasts.³

³ The nominal conversion will be made based on the proportion of levy-spend expected under different policies. The share of expected spend attributable to CPI-indexed policies for a given year will be calculated and this share of the annual LCF limit will be converted to nominal using CPI. Equivalent calculations will be made for all of the price indices used such that the entire annual LCF limit is converted to nominal.

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