

To all interested industry parties

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26th March 2021

Assistance for Areas with High Electricity Distribution Costs forecast tariff 2021/22

Dear Industry Colleague,

The Assistance for Areas with High Electricity Distribution Costs (AAHEDC) scheme aims to reduce distribution costs for consumers in Northern Scotland and Shetland. Under this scheme and in accordance with Conditions C20 – C23 in the NGENO Transmission Licence, we recover the Total Scheme Amount from all authorised Suppliers.

With effect from 1st April 2021, the Total Scheme amount includes the Shetland assistance amount of £27m¹, to be collected annually in accordance with the Transmission Licence. Therefore, from 2021/22 the Total Scheme amount is composed of the Assistance Amount, the Shetland Assistance Amount, the Administration Amount and the Correction Amount. The Assistance Amount and the Shetland Assistance Amount is passed to the relevant distributor(s).

The purpose of this document is to provide draft notification of the 2021/22 tariff. Note that the **Final Tariff** is due to be published in mid-July but is effective from 1st April 2021. The reason for the retrospective publication date is to take into account the final quarter invoices (in order to include any under or over recovery in the following year’s tariff calculation). Note that AAHEDC is invoiced quarterly in arrears.

Further information, including the charging statement for 2020/21, can be found on our web site:

<https://www.nationalgrideso.com/charging/assistance-areas-high-electricity-distribution-costs-aahedc>

The forecast of the Total Scheme tariff for 2021/22 is:

Year	Total Scheme Tariff (p/kWh)
2021/22	0.040566

¹ <https://www.gov.uk/government/consultations/hydro-benefit-replacement-scheme-and-common-tariff-obligation>

The above tariff is based on the forecast demand base of 223.5 TWh, and the Total Scheme Amount of £90.68m which is composed of the Assistance Amount of £65.72m, the Shetland Assistance Amount of £27m, the Administration Amount of £0.12m and the Correction Amount of -£2.16m due to over-recovery from 2020/21.

The overall tariff is composed of:

- Shetland tariff: 0.012078 p/kWh, and
- AAHEDC tariff excluding the Shetland Assistance Amount: 0.028488 p/kWh.

The proposed increase of 37.59% over the 2021/22 Total Scheme tariff (0.030446 p/kWh) is due to the following factors:

- An increase to the Total Scheme Amount of £27m due to the inclusion of Shetland in to the Scheme
- Inflation of the Assistance Amount and Administration Amount in line with the Retail Price Index (May – October 2020) of 1.13%,
- a 2021/22 forecast demand base of 223.5 TWh, which has been derived from historic demand data, and which continues to trend downwards due to an increase energy efficiency and the growth of embedded generation. A reduction in demand due to Covid-19 has been included in our assumptions, albeit to a lesser degree than observed during 2020/21.

We will publish the final tariff by mid- July and will inform you when it is available on our website.

If you have any queries, please do not hesitate to contact TNUoS.queries@nationalgrideso.com.

Yours sincerely

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