

To all interested industry parties

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### Assistance for Areas with High Electricity Distribution Costs forecast tariff 2023/24

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 NGESO Transmission Licence, we recover the Total Scheme Amount from all authorised Suppliers.

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 are passed to the relevant distributor(s).

The purpose of this document is to provide draft notification of the 2023/24 tariff. Note that the **Final Tariff** is due to be published in mid-July but is effective from 1st April 2023. 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 2022/23, can be found on our web site:

[Assistance for Areas with High Electricity Distribution Costs \(AAHEDC\) | National Grid ESO](#)

The forecast of the Total Scheme tariff for 2023/24 is:

| Year    | Total Scheme Tariff<br>(p/kWh) |
|---------|--------------------------------|
| 2023/24 | 0.041941                       |

The above tariff is based on the forecast demand base of 266.36 TWh, and the Total Scheme Amount of £111.72m which is composed of the Assistance Amount of £74.58m, the Shetland Assistance Amount of £30.64m, the Administration Amount of £0.14m and a forecast Correction Amount of £6.4m due to under-recovery from 2022/23.

The overall tariff is composed of:

- Shetland tariff: 0.011503 p/kWh, and
- AAHEDC tariff excluding the Shetland Assistance Amount: 0.030438 p/kWh.

The proposed change of 3.13% for the 2023/24 Total Scheme tariff (0.041941 p/kWh) is due to the following factors:

- Inflation of the Assistance Amount, Shetland Assistance Amount and Administration Amount in line with the consumer prices index including owner occupiers' housing costs (May – October 2022) of 8.65%,
- a 2023/24 forecast demand base of 266.36 TWh, which has been derived from historic demand data, and the long standing underlying volume trend. This is an increase from the previous year due to the change from a net to gross demand charging base.

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](mailto:TNUoS.queries@nationalgrideso.com).

Yours sincerely

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