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To all interested industry parties

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Assistance for Areas with High Electricity Distribution Costs forecast tariff 2025/26

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 Condition F8 in the NESO Electricity System Operator 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 2025/26 tariff. Note that the **Final Tariff** is due to be published in mid-July but is effective from 1st April 2025. 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 2024/25, can be found on our web site:

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

The **forecast** of the Total Scheme tariff for 2025/26 is:

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Year	Total Scheme Tariff (p/kWh)
2025/26	0.041099

The above tariff is based on the forecast demand base of 274.17 TWh, and the Total Scheme Amount of £112.7m which is composed of the Assistance Amount of £81.7m, the Shetland Assistance Amount of £33.6m, the Administration Amount of £0.15m and a forecast Correction Amount of -£2.8m due to over-recovery and potential bad debts (c.£0.2m) from 2024/25.

The overall tariff is composed of:

- Shetland tariff: 0.012247 p/kWh, and
- AAHEDC tariff excluding the Shetland Assistance Amount: 0.028852 p/kWh.

The indicative change of -2.5% for the 2025/26 Total Scheme tariff (0.041099p/kWh) is due to the following factors:

- A 2025/26 forecast demand base of 274.17 TWh, which has been derived from historic actual demand data, and the long-standing underlying volume trend. This is a 1% increase on the expected out-turn from the 2024/25 tariff year.
- 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 2024) of 2.91%.
- However, the total scheme amount has not increased significantly (c£1.3m). This is due to an offset to the above increase from over-recovery in the 2024/25 year.
- In addition to the over-recovery, there is £0.2m of debt to be recovered in this 2025/26 tariff year.

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@nationalenergyiso.com.

Yours sincerely

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