

To all interested industry parties

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### Assistance for Areas with High Electricity Distribution Costs final 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 £27m<sup>1</sup>, 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).

Tariffs are calculated for each financial year (and are effective from 1st April), but are published in mid-July. This later publication date allows the previous year's final quarter payment to be reflected in the tariff thereby including any under or over recovery.

Further information, including a copy of the charging statement, can be found on our website:

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

I would like to confirm that the AAHEDC energy consumption tariff for 2021/22 is:

Year	Total Scheme Tariff (p/kWh)
2021/22	0.040427

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

The above tariff is based on the forecast demand of 224.1 TWh, and the Total Scheme Amount of £90.59m 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 -£2.24m due to over-recovery from 2020/21.

The overall tariff is composed of:

- Shetland tariff: 0.012049 p/kWh, and
- AAHEDC tariff excluding the Shetland Assistance Amount: 0.028378 p/kWh.

The tariff represents an increase of 32.78% over the 2020/21 Total Scheme tariff (0.030446 p/kWh) and is due to the following factors:

- An increase to the Total Scheme Amount of £27m due to the inclusion of Shetland Assistance Amount into 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 224.1 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.

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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