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Charging Statement

Assistance for Areas with High Electricity Distribution Costs Scheme

Effective from 1 April 2024

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Introduction

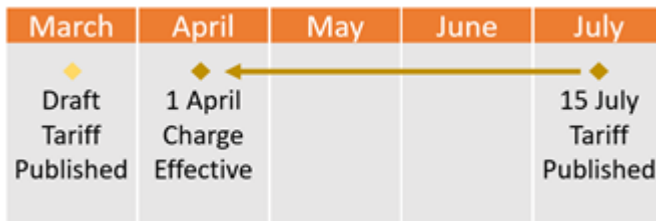
This statement is published in accordance with Licence Condition C21 of National Grid Electricity System Operator Limited’s Transmission Licence.

This document sets out the Total Scheme Energy Consumption Tariff relating to the Assistance for Areas with High Electricity Distribution Costs (AAHEDC) Scheme. It also describes the methods by which and principles upon which National Grid Electricity System Operator Limited (NGESO) derives charges resulting from the Scheme.

This document is also available on our website at:

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

This Assistance for Areas with High Electricity Distribution Costs Scheme Charging Statement Issue 19 was published on 15 July 2024 but is effective from 1 April 2024. This provides one month’s notice before any charges calculated using the updated tariff become due for payment.



If you require further details about any of the information contained within this document or have comments on how this document might be improved, please contact us at:

TNUoS.queries@nationalgrideso.com

Schedule 1

Schedule of the AAHEDC Total Scheme Energy Consumption Tariff

| Year | Total Scheme Energy Consumption Tariff (p/kWh) |
|---------|--|
| 2024/25 | 0.042145 |

The tariff is based on our forecast of total energy consumption across all settlement periods for the period between 1st April 2024 and 31st March 2025. Parties attracting liability for the tariff are described in Chapter 3 of this document.

The overall tariff is composed of:

- Shetland Tariff: 0.012344 p/kWh,
- AAHEDC Tariff Excluding the Shetland Assistance Amount: 0.029801 p/kWh.

Chapter 1: Principles

Objectives of the Scheme

- 1.1 The Assistance for Areas with High Electricity Distribution Costs Scheme was introduced in the Energy Act 2004. It replaces an earlier arrangement, commonly referred to as “Hydro Benefit”, which ended in January 2004 (although this continued on a voluntary basis until 31 March 2005).
- 1.2 The intention of the Scheme is to reduce the costs to consumers of the distribution of electricity in certain areas. Currently the only Specified Area is the North of Scotland. NGENSO therefore recovers the Total Scheme Amount through the Scheme, which 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 in the Specified Area, Scottish Hydro Electric Power Distribution Ltd. This enables distribution charges to be reduced.

Governance of the Scheme

- 1.3 The Assistance for Areas with High Electricity Distribution Costs Scheme sits outside of the main contractual framework governing connection to, and use of, the transmission system (the Connection and Use of System Code, or CUSC). Similarly, the charging arrangements are not covered by the charging statements published by NGENSO in accordance with Conditions C4, C5 and C6 of the Transmission Licence.
- 1.4 Instead, the Scheme is governed directly by Licence Conditions placed on Suppliers, Relevant Distributors, and NGENSO.
- 1.5 Licensed Suppliers are obliged (by Licence Condition 15 of their Supply Licence) to pay to NGENSO the tariff set out in this statement.
- 1.6 Relevant Distributors are obliged (under the terms of Licence Conditions 53A, 53B and 53C of their Distribution Licences) to apply the benefit from the Scheme to reduce the use of system charges levied on Suppliers.
- 1.7 NGENSO’s administration of the Scheme is covered by four Conditions in the Transmission Licence:
 - Condition C20 defines the revenue to be recovered in each year;
 - Condition C21 covers payments from Suppliers, and the preparation of this charging statement;
 - Condition C22 specifies the payments to be made to Relevant Distributors; and
 - Condition C23 sets out further reporting requirements to Ofgem and to Relevant Distributors.
- 1.8 The following sections of this statement set out in more detail how the charge is calculated, who is liable for it, and how it is settled.

Chapter 2: Derivation of the AAHEDC Total Scheme Energy Consumption Tariff

- 2.1 The AAHEDC Total Scheme Energy Consumption Tariff is calculated for each financial year. The tariff is effective from 1 April in each year but is finalised and published after this date. NGESO is required to give no less than one month's notice prior to issuing the first invoice on 15 August of each year. The tariff is derived by dividing the AAHEDC Total Scheme Amount by the Charging Base.
- 2.2 The mid July publication date for the final tariff is to enable the calculation of the reconciliation of the AAHEDC charges for the previous year as the final quarter payments for the previous year are due mid June. NGESO publishes a forecast tariff in a draft schedule in April.

Derivation of the Total Scheme Amount

- 2.3 Condition C20 of NGESO's Transmission Licence defines the Total Scheme Amount in pounds sterling to be recovered each financial year, using the following formula:

$$HBM_t = A_t + SA_t + HBOC_t - HBK_t$$

Where

HBM_t represents the Total Scheme Amount in relation to year t

A_t represents the Assistance Amount in relation to year t

SA_t represents the Shetland Assistance Amount in relation to year t

$HBOC_t$ represents the Administration Allowance in relation to year t

HBK_t represents the Correction Amount in relation to year t

- 2.4 The Assistance Amount is that recovered by NGESO on behalf of Relevant Distributor, Scottish Hydro Electric Power Distribution Ltd (SHEPD). For financial year 2024/25 this will be £79.42m. This is inflated from last year's Assistance Amount in line with the May to October Consumer Prices Index including owner occupiers' housing costs (CPIH). The Assistance Amount for 2024/25 will be paid to SHEPD in accordance with the following schedule:

| Payment Date | Proportion to be Paid | Amount to be Paid |
|--------------|-----------------------|-----------------------|
| 15-Sep-24 | 23% | £18,265,935.94 |
| 15-Dec-24 | 22% | £17,471,764.82 |
| 15-Mar-25 | 27% | £21,442,620.46 |
| 15-Jun-25 | 28% | £22,236,791.58 |
| Total | 100% | £79,417,112.80 |

- 2.5 The Shetland Assistance Amount is that recovered by NGESO on behalf of Relevant Distributor, Scottish Hydro Electric Power Distribution Ltd (SHEPD). For financial year 2024/25 this will be £32.63m as specified in the Energy Act 2004. This is inflated from last year's Assistance Amount in line with the May to October Consumer Prices Index

including owner occupiers' housing costs (CPIH). The Shetland Assistance Amount for 2024/25 will be paid to SHEPD in accordance with the following schedule:

| Payment Date | Proportion to be Paid | Amount to be Paid |
|--------------|-----------------------|-----------------------|
| 15-Sep-24 | 23% | £7,504,791.00 |
| 15-Dec-24 | 22% | £7,178,495.74 |
| 15-Mar-25 | 27% | £8,809,972.04 |
| 15-Jun-25 | 28% | £9,136,267.31 |
| Total | 100% | £32,629,526.09 |

- 2.6 The Administration Allowance is an amount of revenue that NGESO is permitted to retain in order to cover the costs of administering the scheme. In 2006/07 it was £80,000 and in subsequent years it has been inflated in line with the May to October Consumer Prices Index including owner occupiers' housing costs (CPIH) to the current level of £147,354.52.
- 2.7 The Correction Amount is the difference between the Total Scheme Amount in the previous year and the income received from the Scheme in that year, adjusted with an allowance for interest at Barclays Bank Base Rate. For financial year 2024/25 the Correction Amount is £0.79m due to over-recovery from 2023/24.

The Charging Base

- 2.8 The Charging Base is NGESO's forecast of the total gross demand attributable to Licensed Suppliers across all GSP Groups in the relevant financial year. Following the government's 3-yearly review of the scheme some changes have been made the most significant change was to remove the embedded benefit with effect from 1 April 2023. Therefore, suppliers will now be charged on their gross demand, without any netting of exporting BMUs. The 2024/25 forecast demand charging base is 264.3 TWh. Further detail regarding the exact liabilities incurred by Suppliers can be found in Chapter 3: Liability and Settlement.

Derivation of the p/kWh Tariffs

2.9 The p/kWh AAHEDC Total Scheme Energy Consumption Tariff is calculated as follows:

$$\frac{\text{HBM}_t * 100}{\text{HBCB}_t}$$

Where

HBM_t represents the Total Scheme Amount in £ in relation to year t

HBCB_t represents NGENSO's forecast of total energy to be consumed by customers of Licensed Suppliers at GSPs in kWh in year t

2.10 The p/kWh AAHEDC Total Scheme Energy Consumption Tariff is composed of The Shetland Tariff and The AAHEDC Tariff Excluding the Shetland Assistance Amount.

2.11 The p/kWh Shetland Tariff is calculated as follows:

$$\frac{\text{SA}_t * 100}{\text{HBCB}_t}$$

Where

SA_t represents the Shetland Assistance Amount in £ in relation to year t

HBCB_t represents NGENSO's forecast of total energy to be consumed by customers of Licensed Suppliers at GSPs in kWh in year t

2.12 The p/kWh AAHEDC Tariff Excluding the Shetland Assistance Amount is calculated as follows:

$$\frac{(\text{A}_t + \text{HBOC}_t - \text{HBK}_t) * 100}{\text{HBCB}_t}$$

Where

A_t represents the Assistance Amount in relation to year t

HBOC_t represents the Administration Allowance in £ in relation to year t

HBK_t represents the Correction Amount in £ in relation to year t

HBCB_t represents NGENSO's forecast of total energy to be consumed by customers of Licensed Suppliers at GSPs in kWh in year t

2.13 The above tariffs are set out in Schedule 1 of this statement.

Chapter 3: Liability and Settlement

Parties Liable for Charges

3.1 Licensed Suppliers are liable for AAHEDC Energy Consumption Charges.

Basis of Charges

3.2 From 1 April 2023, the AAHEDC Energy Consumption Charge incurred by a Supplier will be determined by the total half-hourly and non half-hourly metered energy consumption over all settlement periods, (meaning the amount of electricity, expressed in kWh, supplied to premises;(and, for the avoidance of doubt, in calculating that amount any export of electricity from those premises is to be disregarded) attributed to the following BM Units for which the Supplier is the lead party:

- Supplier BM Units (i.e. those comprising plant and/or apparatus registered in SVA Metering Systems);
- Any other BM Units relating to demand supplied by Licensed Suppliers by means of a distribution system.

3.3 Section 179 of the Energy Act 2004 has extended the definition of electricity supply to include electricity conveyed solely by means of a transmission system. Therefore, from 1st April 2006, the Energy Consumption Charge incurred by a Supplier also includes BM Units relating to Non-Embedded Customers.

3.4 BM Units relating to Interconnector User BM Units, are not liable for AAHEDC Energy Consumption Charges.

3.5 For the avoidance of doubt, BM Units in the North of Scotland are liable for AAHEDC Energy Consumption Charges.

Settlement

3.6 AAHEDC Energy Consumption Charges are invoiced on a quarterly basis, with invoices despatched by 15 August, 15 November, 15 February and 15 May (or the following business day). In 2024/25, the invoicing timetable will be as follows:

| Period of Liability | Invoice Date | Payment Date |
|-------------------------|------------------|-------------------|
| April – June 2024 | 15 August 2024 | 12 September 2024 |
| July – September 2024 | 15 November 2024 | 13 December 2024 |
| October – December 2024 | 15 February 2025 | 15 March 2025 |
| January – March 2025 | 15 May 2025 | 12 June 2025 |



3.7 Payment terms for invoices relating to AAHEDC Energy Consumption Charges are 28 days. The dates by which such invoices relating to the financial year 2024/25 should be paid can be seen in the above table.

3.8 Invoices may also include a separate amount representing an interest charge to cover the late payment of previous invoices. This will be applied at 8% above the base interest

rate on any payments not made on the payment due date, calculated for each day after the payment due date up to and including the date on which payment was actually made. Suppliers should also note that Condition 15 of their Supply Licence requires them to pay relevant invoices in accordance with the above timetable.

- 3.9 Invoices are calculated using the best possible settlement data relating to half-hourly and non half-hourly metered energy consumption supplied from BSCCo available at the time. This calculation may be performed at any time between receipt of data from the Initial Settlement Run relating to the final day of the relevant quarter and the invoice date. In normal circumstances, for an entire quarter, the data will predominantly comprise that from the Initial and First Reconciliation Settlement Runs, however NGESO will confirm which BSCCo data has been used. Backing sheets showing details of consumption at each BM Unit are issued along with each invoice and the email advice will detail the settlement runs used in the calculation.
- 3.10 In the event of data for any settlement day being unavailable at the time of the invoice calculation then NGESO will substitute such data as it shall, at its reasonable discretion, think fit. In normal circumstances, data for the corresponding settlement day the previous week will be used but occasionally last year's data may be used if a gap occurs during an annual holiday, Easter for example. If such a situation arises then NGESO will notify the method of substitution to users.
- 3.11 Settlement is final at the Invoice Date. There is no reconciliation using data from the Final Reconciliation Settlement Run.

In the event of any queries concerning the operation of the Assistance for Areas with High Electricity Distribution Costs Scheme please contact the **Revenue Team** at:

TNUoS.Queries@nationalgrideso.com

Appendix 1: Example: Calculation of Quarterly Liability

This appendix illustrates the methodology used by NGESO in the derivation of charges relating to the Assistance for Areas with High Electricity Distribution Costs Scheme through the use of a hypothetical example.

Supplier A is the lead party of one set of 14 Base BM Units. It is also the lead party of one BM Unit relating to a Non-Embedded Customer. Using the best settlement data available at the time, the following energy consumption for Quarter 1, 2023/24 (i.e. 1 April 2023 – 30 June 2023) is recorded:

| BM Unit | Quarterly Energy (kWh) |
|------------------|-------------------------------|
| 2__AAAAA000 | 100,000,000 |
| 2__BAAAA000 | 100,000,000 |
| 2__CAAAA000 | 100,000,000 |
| 2__DAAAA000 | 100,000,000 |
| 2__EAAAA000 | 100,000,000 |
| 2__FAAAA000 | 100,000,000 |
| 2__GAAAA000 | 100,000,000 |
| 2__HAAAA000 | 100,000,000 |
| 2__JAAAA000 | 100,000,000 |
| 2__KAAAA000 | 100,000,000 |
| 2__LAAAA000 | 100,000,000 |
| 2__MAAAA000 | 100,000,000 |
| 2__NAAAA000 | 100,000,000 |
| 2__PAAAA000 | 100,000,000 |
| Sub-total | 1,400,000,000 |
| T__AAAAD-1 | 100,000,000 |
| Total | 1,500,000,000 |

The Supplier's charge for Quarter 1 is therefore calculated as follows:

$$\begin{aligned} \text{Charge} &= \frac{1,500,000,000 \text{ kWh} \times 0.042038}{100} \\ &= \mathbf{\pounds 630,507.00} \end{aligned}$$

These charges would be invoiced in accordance with the timetable set out in **Chapter 3** of this statement.

Glossary

The following definitions are intended to assist the reader's understanding of this document. In the event of conflict with definitions given elsewhere, those used in the Electricity Act 1989 (as amended by the Utilities Act 2000 and the Energy Act 2004), Transmission Licence, Grid Code, Balancing and Settlement Code and Connection and Use of System Code take precedence.

For the avoidance of doubt “as defined in the BSC” relates to the Balancing and Settlement Code as published from time to time.

| | |
|---|--|
| AAHEDC | An abbreviation of the Assistance for Areas with High Electricity Distribution Costs Scheme |
| AAHEDC Tariff Excluding the Shetland Assistance Amount | As defined in section 2.12 of this statement |
| Act | The Electricity Act 1989 |
| Administration Allowance | The amount of the revenue allowance that NGENSO is permitted to retain to cover the costs of administering the Scheme |
| Assistance Amount | The amount payable by NGENSO to a relevant distributor in a relevant year under the Scheme as set out in TRANSMISSION LICENCE STANDARD CONDITIONS Condition C20 |
| Assistance for Areas with High Electricity Distribution Costs Scheme | The scheme established pursuant to the Energy Act 2004 (Assistance for Areas with High Distribution Costs) Order 2005 |
| Balancing and Settlement Code (BSC) | As defined in the Transmission Licence |
| Base BM Unit | As defined in the BSC |
| Base Interest Rate | In respect of any day, the rate per annum which is equal to the base lending rate from time to time of Barclays Bank plc as at the close of business on the immediately preceding business day |
| BM Unit | Defined in the BSC as: “a unit established and registered (or to be established and registered) by a Party in accordance with section K3 [of the BSC]” |

| | |
|--|---|
| BSCCo | As defined in the BSC |
| Charging Base | As defined in section 2.8 of this statement |
| Connection and Use of System Code | A document prepared by NGESO in accordance with Condition C10 of the Transmission Licence forming the main contractual framework governing connection to, and use of, the transmission system for matters other than the Scheme |
| Correction Amount | The difference between the Total Scheme Amount in the previous year and the income received from the Scheme in that year |
| CPIH | means the consumer prices index including owner occupiers' housing costs (all items) published by the Office for National Statistics.”; |
| CUSC | The Connection and Use of System Code |
| Distribution | Conveyance of electricity by means of a Distribution System |
| Distribution System | As defined in the BSC |
| Energy Consumption | As defined in sections 3.2 and 3.3 of this statement |
| Energy Consumption Charge | Charge levied on Suppliers in order to allow NGESO to recover the Total Scheme Amount |
| First Reconciliation Settlement Run | As defined in the BSC |
| Final Reconciliation Settlement Run | As defined in the BSC |
| Financial Year | The period of 12 months ending on 31 st March in each calendar year |
| Grid Supply Point (GSP) | A point of delivery from the GB Transmission System to a distribution system or Non-Embedded User |
| Gross Demand | Electricity supplied to a site or equipment not owned by a Transmission system operator by a Licenced Supplier. |
| GSP Group | As defined in the BSC |
| Hydro Benefit | A common abbreviation of the Assistance for Areas with High Electricity Distribution Costs Scheme. More accurately, the scheme preceding the Assistance for Areas with High Electricity Distribution Costs Scheme |

| | |
|-------------------------------------|--|
| Initial Settlement Run | As defined in the BSC |
| Interconnector | As defined in the BSC |
| Interconnector User | As defined in the BSC |
| Interconnector User BM Units | BM Units for which the lead party is an Interconnector User |
| Licensed Supplier | A holder of an electricity supply licence |
| Non-Embedded Customer | A User, except an Electricity Distributor, receiving electricity direct from the National Grid Transmission System irrespective of from whom it is supplied |
| North of Scotland | The area of Scotland specified in Schedule 1 of the Energy Act 2004 (Assistance for Areas with High Distribution Costs) Order 2005 |
| Ofgem | The Office of Gas and Electricity Markets |
| Relevant Distributor | As defined in Condition C20 of the Transmission Licence |
| Retail Price Index | In the context of the Scheme, means the percentage change (whether of a positive or a negative value) in the arithmetic average of the Retail Price Index figures published or determined with respect to each of the six months May to October (both inclusive) in relation to the relevant year t-1 and that are published or determined with respect to the same months in relation to the relevant year t-2 |
| Scheme | The Assistance for Areas with High Electricity Distribution Costs Scheme |
| Settlement Day | has the meaning given to that expression in the BSC |
| Settlement Period | Defined in the BSC as: <p>“Settlement Period j starts at the spot time occurring at the beginning of the half hour and ends at the spot time occurring exactly 30 minutes later. The spot time at the beginning of one period therefore coincides with the spot time at the end of the previous period.”</p> |
| Settlement Run | Defined in the BSC as: <p>“a determination (in accordance with Section T), in relation to a Settlement Day, of amounts giving rise, on the part of Trading Parties and the Transmission Company, to a liability to pay or a right to be paid by the BSC Clearer amounts in respect of Trading Charges in each Settlement Period in that Settlement Day, and of the net credit or debit in respect of such amounts; and where the context requires a reference to a Settlement Run includes the data and information produced by the SAA following such a determination and delivered to the FAA in accordance with Section N”</p> |

| | |
|---|---|
| Shetland Assistance Amount | The amount payable by NGENSO to a relevant distributor in a relevant year under the Scheme as set out in TRANSMISSION LICENCE STANDARD CONDITIONS Condition C20 |
| Shetland Tariff | A component of the Total Scheme Energy Consumption Tariff set to recover the Shetland Assistance Amount as defined in section 2.11 of this statement |
| Specified Area | As defined in the Energy Act 2004 (Assistance for Areas with High Distribution Costs) Order 2005 |
| Supplier | A holder of an electricity supply licence |
| Supplier BM Unit | As defined in the BSC |
| SVA | Supplier Volume Allocation, as defined in the BSC |
| SVA Metering System | As defined in the BSC |
| Total Scheme Amount | NGESO's maximum allowable revenue in relation to the Assistance for Areas with High Electricity Distribution Costs Scheme |
| Total Scheme Energy Consumption Tariff | The tariff levied on Suppliers' Energy Consumption in order to allow NGENSO to recover the Total Scheme Amount, and as defined in section 2.9 of this statement |
| Transmission Licence | The licence granted to National Grid Electricity System Operator Limited under Section 6(1)(b) of the Act |
| Transmission system | A system which consists (wholly or mainly) of electrical plant and lines at transmission voltages |
| Transmission voltage | In England and Wales, voltages above 132kV, and in Scotland, voltages of 132kV and above |

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