

To all interested industry parties

Paul Hitchcock
Senior Revenue Analyst

paul.hitchcock@nationalgrid.com

Direct tel: +44 (0)1926 653099

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Dear Industry Colleague,

Assistance for Areas with High Electricity Distribution Costs forecast tariff 2016/17

The Assistance for Areas with High Electricity Distribution Costs scheme reduces distribution costs for consumers in Northern Scotland. National Grid recovers an Assistance Amount from all authorised suppliers, which is passed to Scottish Hydro Electric Power Distribution Ltd. It replaces an earlier arrangement, commonly referred to as "Hydro Benefit".

The purpose of this document is to provide draft notification of the 2016/17 tariff. This is because the Final Tariff is published in mid-July but is effective from 1st April 2016 (and the first invoice issued in mid-August). The later publication date allows the previous year's final quarter payments to be taken into account (in order to include any under or over recovery in the following year's charge).

The final invoice for 2015/16 will be issued in mid-May 2016.

Further information, including the charging statement can be found on our web site:

<http://www2.nationalgrid.com/UK/Industry-information/System-charges/Electricity-transmission/Assistance-for-areas-with-high-distribution-costs/>

Prior to the publication of the final tariff in July, I am writing to advise that our forecast of the energy consumption tariff for 2016/17 is:

| Year | Energy Consumption Tariff (p/kWh) |
|---------|--------------------------------------|
| 2016/17 | 0.023524 |

The increase of 8.7% over 2015/16 is due to the following factors:

- inflation of the Assistance Amount and Administration Amount in line with the Retail Price Index (May – October 2015) of 0.93%,
- a forecast 2015/16 scheme under-recovery of around £1.87 million due to lower than anticipated demand of 264.5 TWh, attributable to warmer weather,
- and a lower 2016/17 demand of 255.1 TWh attributable to increased energy efficiency and embedded generation.

If you have any queries please do not hesitate to contact me by email or on 01926 653099.

Yours sincerely,

Paul Hitchcock