

Public

To all interested industry parties

National Energy System Operator  
 Faraday House  
 Gallows Hill  
 Warwick  
 CV34 6DA

tnuos.queries@neso.energy  
 www.neso.energy

27<sup>th</sup> March 2026

**Assistance for Areas with High Electricity Distribution Costs forecast tariff 2026/27**

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 2026/27 tariff. Note that the **Final Tariff** is due to be published in mid-July but is effective from 1st April 2026. 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 2025/26, 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 2026/27 is:

Year	Total Scheme Tariff (p/kWh)
2026/27	0.044201

The above tariff is based on the forecast demand base of 273.7 TWh, and the Total Scheme Amount of £121m which is composed of the Assistance Amount of £85.0m, the Shetland Assistance Amount

Public

of £34.9m, the Administration Amount of £0.16m and a forecast Correction Amount of £0.8m due to a combination of under-recovery and bad debts of c.£0.2m from 2025/26.

The overall tariff is composed of:

- Shetland tariff: 0.012766p/kWh, and
- AAHEDC tariff excluding the Shetland Assistance Amount: 0.031435 p/kWh.

The indicative change of 7.8% for the 2026/27 Total Scheme tariff (0.044201p/kWh) is due to the following factors:

- A 2026/27 forecast demand base of 273.7 TWh, which has been derived from historic actual demand data, and the long-standing underlying volume trend. This is a 0.4% increase on the expected out-turn from the 2025/26 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 2025) of 4.05%. This equates to increased revenue of £4.7m.
- However, the total scheme amount has increased significantly (c£8.6). This is due to the unwinding of over-recovery from 2024/25 (c.£2.9m) and the under-recovery (c.£0.8m) from 2025/26 year.
- In addition to the under-recovery, there is £0.2m of debt to be recovered in this 2026/27 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@neso.energy](mailto:tnuos.queries@neso.energy)

Yours sincerely

Daniel Hickman

Senior Charging & Revenue Analyst