

To all interested industry parties

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Dear Industry Colleague,

Assistance for Areas with High Electricity Distribution Costs forecast tariff 2010/11

The Assistance for Areas with High Electricity Distribution Costs scheme reduces the distribution costs to 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".

Tariffs are calculated for each financial year (and are effective from 1st April), but are published mid July. The later publication date allows the previous year's final quarter payments to be made (around mid June) in order to include any under or over recovery in the following year's charge. Further information can be found on our web site:

www.nationalgrid.com/uk/Electricity/Charges/aahedc/

Prior to the publication of the final tariffs in July, I am pleased to advise that our forecast of the energy consumption tariff for 2010/11 is:

| Year | Energy Consumption Tariff (p/kWh) |
|---------|--------------------------------------|
| 2010/11 | 0.016265 |

This would be a decrease of 1.16% compared to 2009/10 tariffs. The decrease is due to the inflation of the Assistance Amount in line with the Retail Price Index, which for the period concerned is negative. The effect of this has been partially offset by:

- a forecast under recovery in the 2009/10 scheme,
- a reduction in the charge base for 2010/11, resulting from minimal change in expected in year on year weather corrected demand from that observed in 2009/10 (in which colder than average winter conditions occurred).

If you have any queries please do not hesitate to contact me on 01926 653999.

Yours sincerely,

Wayne Mullins