

Assistance for areas with High Electricity Distribution Costs Scheme

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Background

- DTI published decision document on “Assistance for Areas with High Electricity Distribution Costs Scheme”
- New scheme is to protect consumers in sparsely populated North of Scotland area and will replace the previous scheme, “Hydro Benefit”
- “Hydro Benefit” ended in Jan 04 but continues on a voluntary basis until 31 March 2005
- New scheme starts on 1 April 2005 following implementation of licence modification proposals (Conditions C20 – C23)
- Separate methodology and price control

Overview of Scheme

- NGC collects a designated payment from all GB suppliers to be paid to the relevant distributor (SHE distribution) – on a quarterly basis
- SHE distribution passes on this benefit to suppliers in its region by reducing its Distribution Use of System (DUoS) charges
- Assistance payment to SHE distribution will be £41.95m in 2005/06 (average figure from 2000/01 to 2002/03 updated with RPI)
- The payment to SHE distribution will then be adjusted in line with RPI

Charging & Billing

- Suppliers will pay an annual fixed tariff (p/kWh) on a quarterly basis
- Tariff based on forecast demand supplied and scheme revenue (assistance + administration + adjustment)
- 2005/06 Tariff estimated to be around 0.013p/kWh
- Suppliers receive quarterly invoices based on actual metered data
- Suppliers have 28 days to pay (late payment results in an interest charge of base +8%)
- There is no reconciliation on demand data
- Any over/under recovery (bad debt, demand forecast error) is rolled over into the next year

2005/06 Sequence

- 1 April 2005 – Scheme implemented
- By 15 July 2005 – NGC publish tariff/statement
- 15 August 2005 – NGC invoice suppliers for period April – June
- Within 28 days – Suppliers pay NGC
- 15 September – NGC forward a fixed proportion (23%) of assistance payment to SHE distribution
(Proportion forwarded in December is 22%, March is 27% and June is 28%)
- 15 November – NGC invoices for period July – September
- 15 February – NGC invoices for period October – December
- 15 May - NGC invoices for period January – March

Next Steps

- NGC to produce an annual statement to include:
 - The methodology to calculate the p/kWh tariff
 - The p/kWh tariff for the coming year
 - Terms for payment
 - Interest rate to be applied for late payment by suppliers
 - Contact details for enquiries
 - The level of the administrative fee in the coming year
 - The amounts to be paid to the DNO in the coming year
- Detailed information:
http://www.dti.gov.uk/energy/publications/policy/assistance_response.pdf

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