



Making a positive difference  
for energy consumers

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Dear Laurence,

**Clarification on the interpretation of the ESO's obligations under Standard Licence Condition C21: Assistance for areas with high distribution costs scheme: payments from authorised suppliers (SLC C21)**

This letter seeks to clarify the operation of SLC C21 of the Electricity Transmission Licence, which sets out how the ESO should collect payments from suppliers for the recovery of the costs of the Assistance for Areas with High Electricity Distribution Costs scheme (AAHEDC). This licence condition was introduced and last modified by the Secretary of State for the Department for Business, Energy and Industrial Strategy (BEIS) in 2020 as part of the most recent statutory review of the Hydro Benefit Replacement Scheme. Following your recent engagement with BEIS it has come to our attention that the obligations placed on the ESO in the drafting of SLC C21 are ambiguous. It is our intention with this letter to provide clarity on our expectations for the ESO when recovering AAHEDC costs from GB suppliers.

It is possible to interpret the drafting of SLC C21 as implying that the ESO should prepare an invoice for the total scheme amount and, in addition, for the Shetland assistance amount. In doing so, the Shetland assistance amount would be recovered twice. This is contrary to what was intended and would also be contrary to the Energy Act 2004 (Assistance for Areas with High Distribution Costs) (Amendment) Order 2020 which only allows the ESO to recover the Shetland assistance amount once. It is also inconsistent with Standard Licence Condition C22: Assistance for areas with high distribution costs scheme:

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payments to a relevant distributor, which defines the amounts to be paid to the relevant distributor.

To ensure continued clarity on the ESO's obligations, until such time that BEIS has opportunity to make a statutory instrument to modify SLC 21, we expect the ESO to recover the Shetland assistance amount only once when issuing invoices to suppliers. We also expect the ESO to show clearly in the invoices the total amount each supplier should pay and separately the component of this total amount that is determined as the Shetland assistance amount.

Yours sincerely,

Grendon Thompson  
Head of ESO Regulation