

Government Drops Zonal Pricing, Prioritises National Energy Stability

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The Government has abandoned its plans for “zonal pricing” of electricity, opting instead to maintain a single national wholesale price, a decision highlighted as a move to ensure fairness, protect investment, and shield consumers from regional cost discrepancies. Energy Secretary Ed Miliband presented the shift as vital for delivering a “fairer, more

affordable, and more secure” electricity system without deterring much-needed investment in clean power.

Zonal pricing would have introduced differing electricity rates across regions based on local generation and demand. Areas like Scotland, rich in renewable output, might have paid less, while parts of southern England could have faced higher bills. However, various energy firms warned the plan risked sparking a “postcode lottery” on energy costs and deterring industrial investments.

SSE’s incoming chief executive Martin Pibworth welcomed the decision, saying it delivers “much-needed policy clarity” and enables continued investment in clean energy infrastructure. Meanwhile, Centrica’s chief executive Chris O’Shea described the choice as a matter of “common sense,” adding that the theoretical benefits of zonal pricing did not counterbalance the real-world risks.

UK Steel also applauded the decision, noting that zonal pricing could have placed some industrial sites at a cost disadvantage and threatened jobs in energy-intensive sectors. The government pledged to replace zonal pricing with wholesale national pricing reforms, alongside a greater role in energy infrastructure planning and support for battery storage in renewable-rich regions.

Critics, though, remain cautious. Some industry figures suggest alternative models, such as zonal incentives, could have stimulated investment and eased grid pressure. Yet there is broad agreement that wholesale price divergence posed too great a risk to economic stability and investor confidence.

With support for nuclear projects such as Sizewell C progressing, and EDF committed to a significant stake, Ed Miliband and the government are positioning this move as central to the UK's clean energy strategy. They argue that a stable, unified pricing regime is essential for both household affordability and industrial competitiveness, especially as the country steers away from fossil fuels.