

Government Scraps Regional Electricity Pricing Proposal Amid Industry Concerns

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Plans to introduce regional electricity pricing based on where consumers live have been formally abandoned by the government, following widespread criticism from energy firms and warnings over potential investment risks. The proposal, once backed by Energy Secretary Ed Miliband, aimed to lower bills in areas that generate surplus electricity,

such as Scotland, but has now been dropped in favour of reforming the existing national pricing system.

Under the current model, electricity bills are calculated using a national flat rate, ensuring uniformity across the UK. Critics have long argued this approach is flawed, as prices are set according to the highest-cost electricity being generated at any given time, even if lower-cost energy is available locally.

While zonal pricing, used in countries like Australia, Italy, and Sweden, might have brought limited savings for consumers in certain regions, the broader consequences raised significant concerns. Major energy providers, including SSE, warned the proposed overhaul would have introduced volatility into the market, potentially scaring off investors ahead of a key auction for renewable energy projects scheduled later this year.

SSE argued that national pricing “creates a stable and investable environment” and welcomed the “much-needed policy clarity” provided by the government’s decision. Energy UK, the industry body representing suppliers, also backed the move, suggesting the shelving of zonal pricing will help maintain market confidence.

Greg Jackson, chief executive of Octopus Energy, remained one of the few vocal supporters of the original proposal. He claimed zonal pricing could have saved households around £100 a year on average and encouraged industry to relocate closer to energy production hubs, particularly in areas with surplus generation.

However, critics from the opposition benches and industry experts questioned the practicality of the idea from the outset. The Conservatives dismissed Miliband's promises of lower bills as "a fantasy", arguing that his rhetoric failed to address the complexities of the UK's energy grid and investment environment.

Kate Mulvany of Cornwall Insight noted that while the decision brings clarity, it does not resolve the deeper structural issues within Great Britain's electricity market. "It must not be used as an excuse to continue business as usual," she warned.

After a three-year consultation, the government has chosen a more cautious path, seeking to adjust the national pricing model rather than overhaul it entirely, sidestepping the risks of regional division while focusing on long-term grid reform.