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Government Shelves Zonal Electricity Pricing in Favour of National Grid Reform

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The government has formally abandoned plans for regional (zonal) pricing in wholesale electricity markets across the UK, opting instead to focus on reforming the national pricing system and taking a stronger role in planning the deployment of clean energy infrastructure. Energy Secretary Ed Miliband announced the decision following a lengthy consultation that began in 2022, emphasising fairness and affordability for consumers.

Under the proposed zonal pricing model, electricity costs would have varied by region, based on local supply and demand, for instance, offering cheaper rates in wind-rich Scotland, with correspondingly higher prices in the South–East of England. Proponents argued this could encourage heavy energy users to locate near renewable energy sources, while detractors warned it risked creating regional disparities and deterring investment. After reviewing industry feedback, the government concluded that maintaining a single national wholesale price would better support grid stability and investor confidence.

Miliband stated the change will ensure a pricing model that is “fair, affordable, secure and efficient”, and will support rapid expansion of clean power. The government plans to assume greater control over the siting and timing of renewable energy projects and expedite grid connections. In parallel, it aims to reduce “constraint payments”, compensation paid to generators when grid bottlenecks prevent them from supplying electricity, to the tune of up to £4 billion by 2030, according to the National Energy System Operator (NESO).

Major energy firms, including SSE and Centrica, welcomed the decision, praising the policy’s clarity and predictability. Martin Pibworth of SSE said it offered “much-needed policy clarity”, while Centrica’s chief executive Chris O’Shea described the move as “commonsense”, noting the risks zonal pricing posed to clean energy investment. Ofgem, the UK’s energy regulator, also welcomed the outcome and promised cooperation on upcoming network charging reforms.

Supporters of zonal pricing, such as Octopus Energy’s chief executive Greg Jackson, voiced disappointment. They maintain the model could have cut household bills by around £100 per year and encouraged

businesses to relocate near renewables. However, others argue that without proper grid upgrades, including more high-capacity transmission lines and battery storage, regional pricing would only complicate an already fragile system.

From a centre-right standpoint, this course correction reflects prudent stewardship: improving infrastructure through targeted national reforms rather than risking regional fragmentation. The priority now is delivering affordable, secure energy via established networks while supporting clean power ambitions.