



To

Rt Hon Ed Miliband MP, Secretary of State for Energy Security and Net Zero;

Rt Hon Jonathan Reynolds MP, Secretary of State for Business and Trade

23rd February 2025

Dear Secretaries of State,

Follow-up letter – Delivering secure, competitive, low-carbon energy to the UK’s industrial heartlands

Following our initial letter from October setting out our concerns in respect of splitting the electricity market in Great Britain into regional price zones (‘zonal pricing’)¹, we wanted to provide a response to the Autumn Update to the Review of Electricity Market Arrangements (REMA) published alongside the Clean Power 2030 Action Plan in December.

We remain keen supporters of the UK Government’s Clean Power Mission. However, whilst we welcome the limited further clarity on the next steps of the REMA process, we are disappointed that zonal pricing remains under consideration for Great Britain.

Despite almost 3 years of consideration, we still lack clarity on how a zonal market would be implemented and what this will mean for our operations and prospective investment plans. We understand that some protections for energy intensive industries and for existing investors in low-carbon energy are under consideration, but we still do not know how or to what extent this will be done.

Crucially, the Government has yet to provide a comprehensive impact assessment that demonstrates energy-intensive industries will benefit from zonal pricing—or at least avoid adverse effects on industrial electricity prices—thereby undermining the evidence base for its policy decision. These are fundamental details that businesses and investors must consider for their activities in the real world today and are only made more important in the context of the turbulent backdrop of the global trade environment.

We are concerned that legitimate issues we have raised are not receiving the attention they deserve. To be clear, the uncertainty caused by the continued deliberation of zonal pricing is undermining both the competitiveness of the UK’s industrial base and the investment required to deliver the Government’s desired growth across all parts of the country.

We remain of the view that incremental reforms under a Reformed National Market programme, including reforms to transmission network charges and system balancing alongside strategic delivery of energy networks, will deliver clean, secure, and competitive energy for the UK. This approach will best support clean growth opportunities for the UK’s

¹ Previous letter from October - <https://www.uksteel.org/steel-news-2024/businesses-write-to-ed-miliband-and-jonathan-reynolds-over-concerns-about-proposed-zonal-pricing-model>

existing, and future, energy intensive industries whose locations are determined by a range of factors delivered by existing locations, most notably its workforce.

Therefore, we repeat our call on the Government to rule out zonal pricing and commit to a Reformed National Market programme to support investment and best deliver secure, competitive, low carbon energy to the UK's industrial heartlands.

If the UK Government does opt for zonal pricing, it will undermine the UK's upcoming National Infrastructure Strategy and Industrial Strategy in the summer given the impacts this uncertainty will have on our operations and prospective investment plans.

We stand ready to deliver on the Clean Power and Growth Missions to secure the upcoming clean growth opportunities for UK plc. We look forward to clarity being provided on the electricity market in Great Britain soon.

Yours,

British Glass

Ceramics UK

Community Trade Union

Food & Drink Federation

Global Infrastructure Investor Association

GMB Union

Independent Renewable Energy Generators Group (IREGG)

Offshore Energies UK

Prospect Union

Prosper

Renewable UK

Scottish Renewables

Solar Energy UK

UK Steel

Unison, the Public Service Union

Unite the Union

CC:

Michael Shanks MP, Minister for Energy

Sarah Jones MP, Minister for Industry

Rt Hon Darren Jones MP, Chief Secretary to HM Treasury

Rt Hon Pat McFadden MP, Chancellor of the Duchy of Lancaster

Rt Hon Ian Murray MP, Secretary of State for Scotland

Rt Hon Jo Stevens MP, Secretary of State for Wales