# Kate Forbes reverses stance on zonal pricing amid industry concerns



Last August, Kate Forbes, Scotland’s then-Deputy First Minister, highlighted the potential benefits of zonal pricing for electricity at the SNP’s party conference, drawing on the insights of Greg Jackson, Chief Executive of Octopus Energy. Jackson argued that the current single electricity price across the UK leads to consumers paying more than necessary while compromising on efficiency. He pointed out that grid infrastructure limitations, particularly when excess wind energy is generated in Scotland, cause inefficiencies such as constraint payments to wind farms to switch off while expensive gas plants in the south are activated.

Jackson advocates for a zonal pricing system, where electricity costs vary by region to reflect the true cost of production and supply. Such a system could allow areas near renewable energy sources to benefit from some of the cheapest energy bills in Europe. Given the fact that about a third of Scots live in fuel poverty—compared to about 11% in England—and that energy-intensive businesses might move north to seek cheaper electricity, this concept initially found favour with the Scottish Government. Forbes had asserted that Scotland’s renewable energy wealth should translate into offering Europe’s cheapest power.

However, last Friday at a gathering of business leaders at Holyrood, Forbes reversed this stance, stating that zonal pricing would not reduce energy bills and could deter investment. Her shift appears to be driven by industry concerns. Last month, 55 companies wrote to the UK government with "grave concerns" about zonal pricing, warning that the uncertainty it creates hampers planning for new wind and solar projects. A recent report from the UK Energy Research Centre reinforced these worries, indicating that new government auctions for wind farms could see costs rise by £20 per megawatt-hour because investors need to factor in risks. Such increased strike prices—the guaranteed payments to renewable developers—would drive up consumer costs, potentially adding £3 billion annually to household energy bills up to the 2040s.

Forbes acknowledged on Friday: “Our focus has to be entirely on de-risking and maximising certainty. So, while market reforms are needed, the longer it takes to conclude, the less certainty there is to make funding decisions now.” This contrasts sharply with her previous remarks last October when she described zonal pricing as a way to correct “the greatest injustice of our day.”

The discrepancy illustrates how, within eight months, the SNP’s position on zonal pricing has evolved from a promising solution to energy cost fairness to a complex challenge that might hinder investment and delay progress. Meanwhile, the UK Government is expected to publish its review of electricity market arrangements over the summer, but the implications for Scotland's energy future and household bills remain uncertain.

Source: [Noah Wire Services](https://www.noahwire.com)

## References

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