



Department for
Energy Security
& Net Zero

Electricity Bill Discount Scheme for transmission network infrastructure

Policy Paper

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Summary

One of the government's 5 missions is to make Great Britain (GB) a clean energy superpower, boost energy independence and reduce bills through clean power by 2030, and our electricity network is key to this success. As described in the pre-election manifesto, it is important for this government that, where communities live close to clean energy infrastructure, they should benefit from it. This paper proposes a scheme to provide communities closest to new electricity transmission infrastructure with bill discounts off their electricity bills.

In line with recommendations from The Clean Energy Commissioner, Nick Winser, we are recommending a 2-pronged approach for community benefits for electricity transmission networks. This consists of community funds and direct benefits in the form of bill discounts.

Bill discounts deliver a direct benefit to individuals that is tangibly linked to the wider national benefit of new energy infrastructure, but are likely to be targeted at a smaller number of beneficiaries. To deliver bill discounts, we intend to legislate through the Planning and Infrastructure Bill. Bill discounts and community funds target communities in complementary yet different ways, and we believe that both approaches are essential to achieve the impact we need to shift community acceptability.

Community funds guidance, which has been published today, sets out the government's expectations for how communities and developers can best spend funding in their area, tailored to the priorities of a community (e.g. local amenities or local energy projects). Through this proposed guidance, we intend to increase the quantum of funding and establish a more consistent and ambitious approach to community funds for onshore transmission infrastructure, to help address perceptions of fairness and power imbalances, whilst allowing flexibility to tailor to each communities' preferences. Unlike bill discounts, this guidance does not require legislation to be implemented.

This paper sets out our intentions for the bill discount scheme; to implement a mandatory, centralised approach to providing bill discounts to communities closest to new electricity transmission infrastructure.

Background

The electricity transmission network transports electricity from where it is generated to where it is needed. As we increase low-carbon and renewable electricity generation within the UK, we will need to increase the scale of the transmission network, at pace, to keep up with demand. It will not be possible to deliver a secure electricity supply, vital to growth and prosperity, without a transmission network that can transport it.

New transmission infrastructure will help deliver clean, secure energy to all GB consumers. Planned development projects will pass through communities, who may oppose such infrastructure, which can elongate the planning process and risk construction delays of over a year. This is a challenge given the scale of the transmission infrastructure needed to keep pace with increasing electrification and help realise Clean Power by 2030 targets. Without network expansion being delivered faster, it is not possible to meet this target.

Moreover, delays to grid expansion, caused by community opposition, would likely mean that network constraint costs will continue, at a cost to all electricity bill payers. Network constraints occur when the electricity transmission system is unable to transmit power to electricity users because the maximum capacity of the circuit is reached. National Energy System Operator manages constraints by paying generators to switch-off (turn-down) in locations where the network is congested and paying generators to switch-on (turn-up) in locations closer to electricity users. Managing constraints is ultimately paid for by electricity consumers via electricity bills, previous analysis from National Grid Electricity System Operator¹ indicates that², if delays to network build persist, annual constraint costs could rise from around £1.4bn per year³ in 2023 to around £8bn per year (£80 per household per year) in the late 2020s.⁴ It is further estimated that a 1-year delay to 3 projects identified as critical for the government's Clean Power Mission by the National Energy System Operator (NESO) could add around £4bn in additional constraint costs in 2030.⁵

The previous government appointed Nick Winser as Electricity Networks Commissioner to advise on how to accelerate the deployment of electricity transmission network infrastructure. The report made recommendations with the aim of halving the total development time for transmission infrastructure from 14 to 7 years.⁶ Amongst these, the report recommended providing community benefits to increase acceptability of new network infrastructure.

¹ As of October 2024, this is now the National Energy System Operator, see www.gov.uk/government/news/new-publicly-owned-national-energy-system-operator-to-pave-the-way-to-a-clean-energy-future.

² National Grid ESO, Monthly Balancing Services Summary (MBSS), 2023, www.nationalgrideso.com/data-portal/mbss.

³ Undiscounted 2022/2023 prices.

⁴ The Department for Energy Security and Net Zero commissioned National Grid ESO to estimate constraint costs with a 3-year delay to network build.

⁵ Clean Power 2030, National Energy System Operator.

⁶ www.gov.uk/government/publications/accelerating-electricity-transmission-network-deployment-electricity-network-commissioners-recommendations.

In 2023, under the previous government, a consultation⁷ and social research⁸ were conducted to better understand community preferences. The social research found that electricity bill discounts were the type of community benefit able to increase acceptance for new transmission infrastructure for the most respondents (78%).

The Prime Minister reaffirmed the government's commitment to our mission for clean power by 2030, because clean, homegrown energy is the best way to lower bills and boost Britain's energy independence. Government is continuing, at pace, the work started by the previous government to review how to effectively deliver community benefits for communities living near this infrastructure. As part of this, clear guidance on community funds for transmission networks infrastructure has also been published and is available here:

www.gov.uk/government/publications/electricity-transmission-network-infrastructure-community-funds

Delivering a bill discount scheme forms the other limb to our 2-pronged approach for boosting community acceptability: as described in the pre-election manifesto, it is central to government priorities to build support for new developments, by ensuring that communities directly benefit. The following sections set out the proposed scheme.

Scheme aim and objectives

The aim of the scheme is to improve community acceptability of new transmission infrastructure by ensuring that communities living closest to new infrastructure will directly benefit from it being sited in their vicinity.

This scheme has the potential to improve community acceptability of new transmission infrastructure; bringing communities along with us on the journey to net zero and clean power 2030 by recognising the vital role they play.

A combination of the bill discount scheme and community funds, alongside other reforms, should collectively help contribute to the timely rollout of new transmission network infrastructure. This scheme is vital to the delivery of clean power by 2030, where boosted acceptability can help mitigate against delays for a number of infrastructure development projects, due to take place in the mid-2020s to early 2030s. The prompt delivery of this pipeline of projects should secure emissions savings, reduce the impact of network constraint costs, and bring down energy costs for the whole of the UK.

The role of the bill discount scheme within this package is to provide a credible, tangible government response to community concerns.

⁷ www.gov.uk/government/consultations/community-benefits-for-electricity-transmission-network-infrastructure.

⁸ www.gov.uk/government/publications/community-benefits-for-electricity-transmission-network-infrastructure, pages 49-50.

Proposed scheme

Our minded to position is to implement a mandatory, centralised approach to providing bill discounts to communities closest to new electricity transmission infrastructure. We have a minded to position to offer bill discounts of up to £2,500 over 10 years for those living up to 500m from new and significantly upgraded electricity transmission infrastructure. This minded to position comes from taking into account social research conducted in the Summer of 2023, to ensure communities are recognised for living close to new transmission infrastructure, as well as balancing this with the potential impact on electricity bills. The below paragraphs provide further detail on the proposed delivery model and scope. We will continue to develop the scheme in consultation with key stakeholders including suppliers and Transmission Operators.

Delivery model - a centralised approach

As per our minded to position, a centralised and mandated approach would allow for greater consistency and enforcement and would enable automatic application of discounts for most properties, thus reducing burden on households.

We are reviewing options for 'hard-to-reach' households, including opt-in applications. These are a small minority (less than 1%) of eligible households who would be unable to receive the bill discount automatically due to lack of a direct relationship with an electricity supplier.

A scheme administrator will be required to coordinate, manage and implement the bill discount scheme. The likely functions of such a body include recipient identification; data monitoring and evaluation; fraud monitoring and redress; customer service; and processing manual applications from opt-in recipients.

Scheme funding

We propose that the scheme would be funded by an obligation on electricity suppliers. However, this is not finalised, and subject to change.

The estimated cost of the scheme depends on the agreed scope and eligibility. Initial estimates for indicative policy scenarios have been set out in the Impact Assessment, which will be published in due course. Further analysis will be conducted to support secondary legislation once scope and eligibility have been further defined.

Territorial scope

The territorial scope of the bill discount scheme would be across Great Britain (England, Scotland and Wales). Only those within the territorial scope will be able to receive bill discounts, where they meet defined eligibility criteria.

Conclusion and areas for further consideration

To deliver the proposed bill discount scheme, we intend to legislate through the Planning and Infrastructure Bill. We intend to conduct further stakeholder engagement to support the scheme's development, but we intend for this to enable the government to establish a bill discount scheme for properties closest to new and significantly upgraded transmission infrastructure which will include the following:

1. A description of the infrastructure that is within scope of the scheme with powers to set out further criteria in regulations.
2. Powers to set out in regulations the eligibility criteria for the scheme.
3. Powers to set out in regulations the operation of the scheme, including, for example, data sharing powers, how the discount will be applied, the amount of discount that will be provided and the length of time it will be applied for.
4. Powers to enable the Secretary of State to address issues relating to 'hard-to-reach' customers in secondary legislation, including a passthrough requirement and opt-in scheme.
5. Powers to establish enforcement measures in regulations.
6. Powers to establish appeals processes in regulations.

To contact the team, please email networksbd@energysecurity.gov.uk.

This publication is available from: www.gov.uk/government/publications/electricity-transmission-infrastructure-proposed-bill-discount-scheme

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