



Department for
Energy Security
& Net Zero

Michael Shanks MP
Minister for Energy

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Bill Esterson MP
Chair of the Energy Security and Net Zero Committee
House of Commons
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10 March 2025

Dear Bill,

Publication of Guidance on Community Funds for Electricity Network Transmission Infrastructure and Bill Discount Scheme for Communities Living Closest to New Electricity Network Transmission Infrastructure

I am writing to make you aware of the UK Government's intention to publish guidance on community funds for electricity network transmission infrastructure, and to announce the creation of a bill discount scheme for those living closest to new and certain significantly upgraded transmission network infrastructure. We also wish to set out the context behind the creation and delivering of these schemes.

At the heart of the government's plan for change is to make Great Britain a clean energy superpower, boost energy independence, and reduce bills through clean power by 2030, and our electricity network is key to this success.

This government wants to ensure that communities who are concerned about the potential impact of new transmission network developments feel recognised. Community benefits are key to this, and this government is committed to ensuring communities directly benefit from new transmission infrastructure built near them as we believe it is the right thing to do.

Community opposition can be a barrier to the building of new transmission infrastructure, leading to delays of around a year to network build. Delays to the expansion of the electricity transmission network could mean that network constraint costs are incurred, which are paid by all electricity bill payers.

The bill discount scheme and Community Funds for Electricity Network Infrastructure: Guidance aim to recognise the role communities play in achieving Clean Power by 2030 and in doing so, improve community acceptability of new transmission infrastructure by ensuring that communities directly benefit.

Our community funds guidance offers £200k per km of overhead line and £530k per substation/switching station/converter station, and we have a minded to position of offering a bill discount of up to £2,500 over 10 years.

I would welcome your and the committee's views on our recommendations regarding the proposed bill discount scheme which are set out below.

The National Need for More Network Infrastructure

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.

The Role of Communities in the Transition to Net Zero

Planned development projects will pass through communities; the government wants to ensure that communities benefit from these projects and recognises that there are concerns about the potential impact of developments, creating opposition. Opposition can elongate the planning process and risk construction delays. This is a challenge given the scale of the transmission infrastructure needed to keep pace with increasing electrification and to help realise Clean Power by 2030 targets. Moreover, delays to such expansion would likely mean that network constraint costs will continue, at a cost to all electricity bill payers. Previous analysis from the National Grid Electricity System Operator, carried out under the previous government, indicates that, if delays to network build persist, annual constraint costs could rise from around £1.4bn per year in 2023 to around £8bn per year in the late 2020s. This could add around £80 per year to household electricity bills.¹

In 2023, under the previous government, a consultation² and social research³ 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%); this was followed by 60% of respondents in support of a community fund as a means to make infrastructure more acceptable.

Community Funds for Electricity Network Infrastructure: Guidance

Aim

At present, some developers of electricity transmission network infrastructure already offer community funds, though this is on an ad-hoc and inconsistent basis. Government is acutely aware of the step change required in the scale and pace of transmission network development in Great Britain. We consider now is the right time to provide a fairer, more ambitious and consistent approach to community funds for communities hosting electricity transmission infrastructure through publishing this guidance.

The guidance sets out the government's expectations for how communities should benefit and has been developed through extensive consultation and engagement with community representatives, developers and other stakeholders. It also includes

¹ The Department for Energy Security & Net Zero commissioned National Grid ESO to estimate constraint costs with a 3-year delay to network build. This analysis was carried out under the previous government.

² <https://www.gov.uk/government/consultations/community-benefits-for-electricity-transmission-network-infrastructure>.

³ <https://www.gov.uk/government/publications/community-benefits-for-electricity-transmission-network-infrastructure>, pages 49-50.

common principles which we expect communities and developers to take on board whilst developing their own arrangements, whilst providing them with the flexibility to deliver community funds in a way that best suits communities' needs and priorities. We aim to help developers and communities understand what good practice looks like in the process of planning and delivering community funds, and to set expectations to deliver high-quality community funds.

The guidance sets a level of funding of **£200,000 per km of overhead line and £530,000 per substation**. As an illustrative example, Scottish and Southern Electricity Networks (SSEN) Transmission have proposed a new overhead power line that would transport clean, renewable electricity between Tealing, in Angus, and Kintore, in Aberdeenshire; this project is currently going through development. Taking into account the level of funding set by the guidance and data provided by SSEN Transmission, we estimate that, if the Tealing to Kintore line receives planning consent, the total amount of community funding for this project could equate to over £23 million.

Electricity Bill Discount Scheme

Aim

The electricity bill discount scheme aims to recognise the role communities play in achieving Clean Power by 2030 and in doing so improve community acceptability of new transmission infrastructure, by ensuring that communities living closest to new and certain significantly upgraded infrastructure will directly benefit from it being sited in their vicinity.

It has the potential to improve community acceptability and mitigate community concerns of new transmission infrastructure, and by extension reduce delays to the development of projects in the mid-late 2020s.

We aim to establish the scheme by the end of 2026, as this will allow us the best opportunity to deliver bill discounts for the large amount of infrastructure projects which are scheduled to begin construction from 2026 onwards.

Proposal

Our current proposal is that eligible households living near new and certain significantly upgraded transmission network projects should receive an electricity bill discount, with a minded to amount of up to £2,500, over 10 years. This is part of a broader package of community benefits, including a fund to be used by the wider community supported by guidance on the amount and type of benefits to ensure greater quantum and consistency.

Our minded-to position is to develop a centralised, mandated bill discount scheme for those closest to new and certain significantly upgraded transmission infrastructure. This would allow for greater consistency and enforcement and would enable automatic application of discounts for most properties, thus reducing burden on households. A central delivery body will be required to coordinate, manage and implement the bill discount scheme. Its likely functions will include recipient identification; data monitoring and evaluation; fraud monitoring and redress; customer service; and processing manual applications from opt-in recipients.

We are reviewing options for 'hard-to-reach' households. 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.

Funding for Community Funds Guidance and Bill Discount Scheme

At present, we propose that the bill discount scheme would be funded by an obligation on electricity suppliers, who are expected to recoup their costs by passing them onto their customers through their bills. We are proposing that community funds will be funded via infrastructure developers, who are then expected to recoup these costs through consumer electricity bills. We believe this would be the fairest approach to cover the cost of the guidance and bill discount scheme.

Territorial scope

Both schemes will apply across Great Britain. Whilst electricity policy is reserved and no consent to legislate is expected to be required from Devolved Governments, we are continuing to engage proactively with them in relation to the bill discount scheme's design and following implementation of the guidance.

Stakeholder engagement

To deliver the proposed bill discount scheme, we intend to legislate as part of the Planning and Infrastructure Bill. We intend to conduct further stakeholder engagement to support the scheme's development.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Michael Shanks", followed by a period. The signature is written in a cursive style with a horizontal line underneath the name.

MICHAEL SHANKS MP
Minister for Energy