Higher electricity prices being seen by consumers in some regions of PJM reflect a tightening of supply and demand – the ability of generators to produce energy is not keeping pace with the increasing need for electricity.

When Will Prices Decrease?

For the price of electricity to decrease in a meaningful way, current electricity supply and demand fundamentals will need to become more balanced: Either supply will need to increase, or demand will need to decrease.

States Can Take Action To Promote Affordability

Regardless of any dramatic shift to these fundamentals in the near term, state policymakers can take meaningful actions to bring rate relief to utility customers while maintaining grid reliability.

While local utilities, regional grid operators and power generators play critical roles in ensuring 24/7 reliability of power supplies and delivery, **state governments are ultimately responsible for maintaining "resource adequacy"** (i.e., ensuring that the grid has enough generation to meet customer demand).

States also are responsible for setting the retail rates charged by their electric utilities. As such, state legislatures and state utility regulators have options when it comes to influencing the retail rates that their utility customers pay.

Toolkit for State Policymakers

The following six items are actions that state policymakers can exercise, either by statute or regulation, to address affordability concerns:

- **Retail Cost Allocation**: States have control over how costs are allocated to the various customer classes in utility tariffs (residential, commercial, industrial, etc.). Costs can be allocated away from residential consumers and small businesses and toward other larger customer classes that more directly contribute to the tightening supply/demand conditions, including data centers. In addition, programmatic rebates can be allocated to specific customer classes to provide rate relief.
- **Data Center Entry Commitments**: Some states, including Ohio and Virginia, are beginning to place financial requirements and stricter entry commitments on data centers seeking to connect to the grid to make sure the developer is committed to building the facility. This will allow utilities and grid operators to better estimate and plan for projected demand.
- **Default Service Procurement**: Restructured or "deregulated" states use mechanisms to procure electricity supply for consumers who do not use a competitive retail supplier. States should analyze whether these default service procurement mechanisms are designed for a high-priced environment. In states with low rates of utility customers who contract with (or "shop" for) a retail supplier for their electricity, customers are even more exposed to market prices if the default service procurement mechanism is not designed to provide a sufficient price hedge.

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- **Retail Shopping for Electricity**: Competitive retail suppliers may be able to offer lower rates than what is being procured in the state's default service auctions. This may be an opportunity for state utility regulators to work with competitive suppliers to promote retail shopping while maintaining existing consumer protections.
- **State Programs on the Utility Bill**: Anticipating that the wholesale price for electricity will remain higher in the near term, the entire utility bill should be reviewed to determine if existing state-mandated programs (e.g., energy efficiency, societal benefits), as reflected on utility bill line items as fees, surcharges and taxes, should continue to be charged.
- **Siting/Permitting Reform:** The U.S. needs more energy infrastructure, both for generation and transmission. States play a pivotal role in projects ultimately getting approved and developed through their siting/permitting processes. State legislatures and relevant siting authorities should review existing laws and regulations to determine if reforms are needed to make the process more efficient and effective.

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