

What's actually driving up electricity bills and policy solutions to consider

Introduction

Energy affordability has moved to the center of the policy conversation for a simple reason: people are seeing their bills go up. National retail electricity rates [rose more than 5%](#) in the past year alone, after tracking roughly with inflation from 2019 to 2024. That jump has sparked a public debate filled with competing, and often oversimplified, explanations. But [the real story is more structural](#), and in many ways, it started long before today's headlines.

Electricity rates are shaped by many forces at once: global and local, supply-side and demand-side, market-driven and regulatory. Local and regional electricity system planning, market design, and extreme weather have a big impact, and global supply chain disruptions, [conflicts](#), and other international events add uncertainty to an interconnected energy market. They can raise the cost of generation and transmission infrastructure, fuels like [natural gas](#), and other key inputs for the U.S. power sector.

National averages also hide big differences among states. West Coast and Northeast states have seen large electricity price increases, while many other states have experienced slower growth or even inflation-adjusted decreases. That is why the diagnosis of the challenge matters. Wildfire costs in the West, capacity market strain in PJM, and fuel exposure in gas-heavy states call for different responses. As a result, [a one-size-fits-all fix won't work](#).

Clean energy is often blamed for rising bills, but the data does not support that claim. For example, states with some of the largest increases in wind and solar generation, including Iowa, New Mexico, and South Dakota, saw some of the [largest decreases in inflation-adjusted rates](#) between 2019 and 2024. While high renewable portfolio standards in states with costly or limited renewable energy resources have the potential to raise rates, these impacts can be mitigated by monitoring rate impacts, improving long-term system planning, and developing new clean energy solutions such that decarbonization can be achieved cost-effectively.

Drivers of rising U.S. electricity costs

Grid investment has been rising for decades, but congestion remains

[Distribution spending rose 160% and transmission spending nearly tripled between 2003 and 2023](#). While this investment may have been needed, it has not delivered matching efficiency gains. Grid congestion remains high, and current planning incentives often favor smaller, local utility projects over larger regional and interregional transmission lines that could move power more efficiently. The Department of Energy's 2023 [National Transmission Needs Study](#) found that development of large regional and interregional lines declined between 2011 and 2020, even as overall grid buildout continued, and the 2026 [Draft Study](#) found incumbent transmission owners built 98% of new transmission between 2016-2024. Many possible solutions exist to enhance transmission planning processes by enacting proactive, scenario-based planning practices that allow for the identification of more flexible, cost-effective generation and transmission solutions. For example, the Federal Energy Regulatory Commission's (FERC) Order 1920 is designed to improve long-term regional electric transmission planning and cost allocation. Transmission [studies](#) consistently find lines connecting regions have the greatest congestion, resource adequacy, and cost savings benefits, lending credence to solutions that require regions to jointly plan and cost allocate these assets.

Load growth and data centers

A significant share of today's demand growth is tied to data center expansion, manufacturing reshoring, and electrification. New demand is not automatically a problem for costs. In some cases, it can lower costs by increasing the utilization of existing infrastructure and thereby lowering costs per customer. But large, concentrated loads, such as data centers, that require enormous amounts of power can also trigger new infrastructure investment needs. Without safeguards such as well-designed tariffs, costs can be spread across all customers instead of being paid by the users that caused them. Evidence suggests this is already [happening in some regions](#), where residential customers may be helping subsidize large data center buildout. That points to tariff design and cost-causation principles as important parts of the solution.

Interconnection bottlenecks

Another challenge is that new power projects have to wait far too long to connect to the grid. More than 2,000 gigawatts of proposed capacity are currently [stuck](#) in interconnection queues across the United States. For recently proposed projects, the wait is now on average more than five years. In most parts of the country, the review process alone – before construction even begins – takes two-and-a-half to more than four years. Texas's grid interconnection process moves faster, at around 20 months.

In addition to building more transmission capacity, a critical bottleneck to connecting generation, there are practical ways to speed up interconnection processes. Regions are implementing interconnection queue reforms required by [FERC Order 2023](#), including “clustering” studies for multiple projects together and timeline enforcement. Policymakers and grid operators can go above and beyond requirements by providing cost certainty for interconnection, fast-track projects that can connect where the grid already has room or easily replace retiring capacity, streamline, or automate where feasible, review and study processes, and build staff capacity to process applications.

Fuel price volatility

States that rely heavily on natural gas power plants are more exposed to swings in electricity bills when gas prices rise or fall. After the Russia-Ukraine war began in 2022, the states most dependent on gas saw the [sharpest price increases](#). As gas prices fell through 2024, many of those same states also saw some of the largest decreases.

That exposure is likely to grow. As U.S. liquefied natural gas export capacity expands, domestic gas prices will become more closely tied to global markets, which is expected to put upward pressure on prices over the next five years. Equipment costs are rising as well: [gas turbine prices have reportedly tripled, driven by supply chain constraints and tariffs](#). For states dependent on natural gas for electricity generation, affordability risk is not likely to disappear on its own.

Extreme weather and wildfire costs

Weather and disaster-related damages are also becoming a larger part of the bill in some regions. In California, wildfire-related costs rose from roughly 1.7% of investor-owned utility revenue requirements in 2019 [to approximately 17% in 2024](#), accounting for roughly two-thirds of the state's total rate increase over that period.

This is not just a California issue. Florida, North Carolina, Maine, and Oregon have also seen significant weather-driven cost impacts. For states facing these risks, affordability policy has to include grid hardening, liability and cost-recovery frameworks, and investment in climate resilience.

Cost of capital and federal policy actions

Broader economic conditions matter too. Utilities rely on investor capital to finance large, long-lived infrastructure, so interest rates and other macroeconomic conditions directly affect the cost of building and maintaining the grid.

Recent federal actions can add to this pressure. Import tariffs, orders that keep aging coal plants online longer than planned, and intentional delays to renewable energy projects can raise near-term costs and increase the premiums investors require to take on risk. In other words, affordability is not shaped only by state-level decisions.

Policy solutions for managing electricity rates

Fortunately, solutions exist to manage both electricity rates and emissions, but no single fix will be enough. Each level of government across all states will need reforms that match the specific pressures it faces. That complexity should not become an excuse for inaction. Near-term reforms can produce meaningful long-term benefits, and better planning today can help manage both load growth and affordability in the years ahead. Policymakers need a clear, data-driven foundation so they can separate measures that actually reduce costs from rhetoric that does not help households or businesses.

Last year, CATF commissioned a [report from The Brattle Group](#) that cataloged commercially available, cost-effective solutions that can be deployed quickly. These include measures to make better use of the existing grid, connect new loads and resources faster, and improve planning and procurement. Strategies for managing data center load growth are also [emerging](#), though implementation remains [largely nascent](#). CATF has researched many of these measures directly, including [public financing](#), [interconnection practices](#), [transmission planning and deployment](#), and [new technology commercialization](#). This work sits alongside broader efforts on [siting](#), [permitting](#), [planning](#), and [community engagement](#) across technologies that can lower individual project costs and reduce system-wide burdens on ratepayers.

Conclusion

Rising electricity bills do not result from a single cause but rather reflect a mix of structural and region-specific pressures: two decades of rising grid investment without matching efficiency gains, load growth from data centers and electrification, interconnection bottlenecks, natural gas price exposure, wildfire and extreme weather costs, and broader capital market and federal policy conditions. Clean energy deployment, despite its prominence in public debate, is not a major driver of recent cost increases.

That means affordability policy must be targeted, not generic. A gas-dependent state needs a different strategy than a wildfire-exposed state. A state facing data-center-driven load growth needs different tools than one struggling mainly with transmission congestion. The better policymakers understand what is driving costs in each place, the better chance they have of choosing solutions that work.

Reversing recent electricity price trends will not be easy. But the path forward starts with being honest about what is actually driving bills and taking coordinated, practical action across regions and levels of government.