MYTH vs FACT: New Report Debunks Common Narratives on Energy Costs

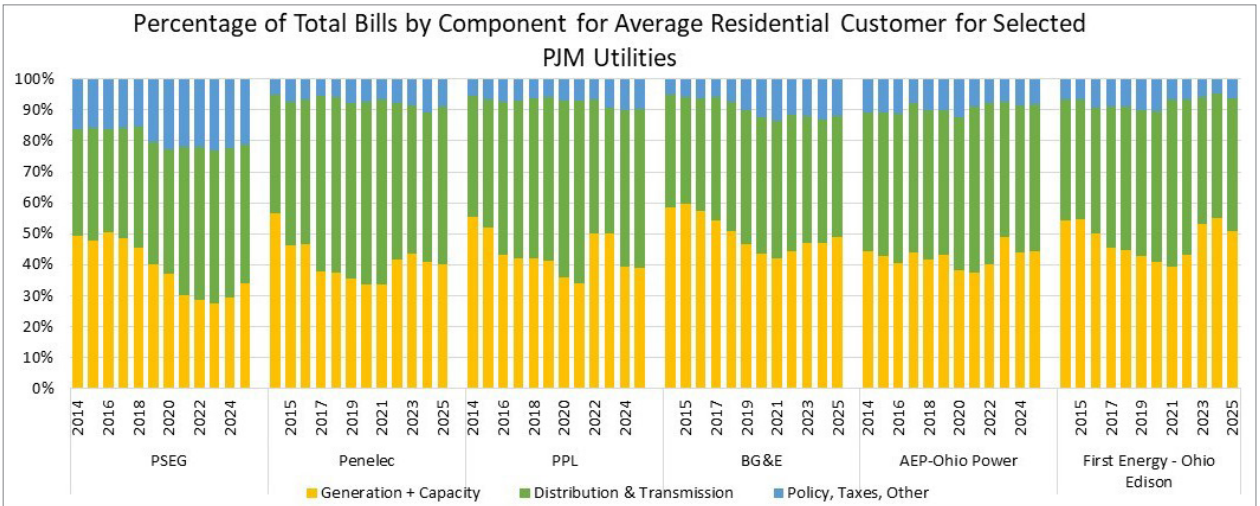
A new report from EPSA and Energy Tariff Experts (ETE) draws on data from utilities across the Mid-Atlantic power grid to understand a critical question for consumers and policymakers: **why are power bills rising?**

The report analyzes costs disclosed by utilities serving customers in Pennsylvania, Ohio, New Jersey, and Maryland—all part of the PJM interconnection. PJM has historically delivered significant benefits and cost savings to its 65 million customers but has recently faced significant scrutiny over high prices in its recent capacity auctions and some have used the results to question the benefits of competitive markets.

ETE examined utility bills covering the last 10 years to better understand the real role of generation costs and whether the narrative around rising costs is accurate. The findings have significant implications for policymakers, state regulators, and consumers who share concerns about rising prices.

MYTH: ***Most of your electricity bill comes from generating power.***

FACT: Over the study period, generation accounted for only 45% of the cost of the average electric bill across the 5 utilities studied.



While overall generation costs have remained relatively steady, policy choices and transmission and distribution spending make up a growing portion of electric bills.

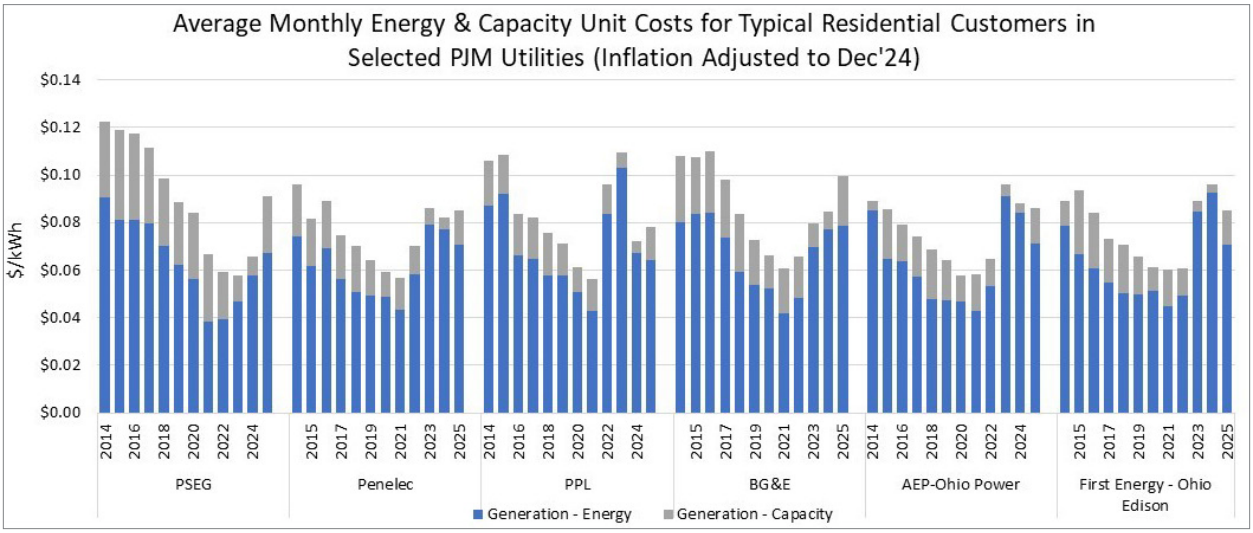
MYTH: ***Generation costs are skyrocketing, and consumers are on the hook.***

FACT: Generation costs today remain lower than in recent years across the Mid-Atlantic.

Inflation, supply chain issues, and other challenges have impacted power generators in the same way as any other industry – just as they are being asked to serve rapidly rising energy demand. This reflects the basic dynamics of supply and demand. Yet generation still accounts for roughly the same percentage of an electric bill today as it did 10 years ago, while the role of other costs like transmission and distribution has only grown.

MYTH: *Capacity prices are rising to new highs, meaning much higher rates for consumers.*

FACT: Capacity prices make up only a very small portion of electric bills across PJM. They've seen increases from recent record lows but remain consistent with average prices across the last decade.



Despite concerns among states and demands for price caps and other extreme measures, capacity prices have had only a small impact on consumer bills over the past decade. Capacity prices have been historically low and increases in recent years are a reflection of public policies and supply challenges—not the desperate warning sign that some have claimed. They are a clear signal that more capacity is needed to meet rising demand, but they do not show the market is broken. Instead, they're consistent with or lower than prices seen during the 2010s.

The Bottom Line

Generation costs are impacted by the same range of challenges as almost every industry, but competitive markets have proven their ability to encourage efficiency and keep costs manageable. Capacity costs are rising faster—the inevitable consequence of misguided state policies that have led to tightened supply. Changing that trend by building new generation is critical, but rising prices are a market signal, not a cause for panic.

State policymakers should be clear-eyed about the depth of challenges facing the grid today, but they should also have realistic expectations about consumer impacts and a strong understanding of the real issues driving higher prices.

The full report is available at epsa.org.

Methodology:

ETE drew on publicly available data provided by utilities and state regulatory commissions to calculate capacity charges and bill component costs. Average customer bills were calculated using average monthly customer usage, which was obtained from a combination of rate case workpapers, competitive supplier shopping data, and workpapers associated with standard offer procurement filings.