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Massachusetts Aims to Tackle Energy Prices the Right Way. The Nation Should Pay Attention.

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Let's start with the bad news: electricity bills continue to rise in much of the country, straining household budgets and threatening economic development. The cause of these price hikes varies somewhat from state to state. In Massachusetts, where the average residential electric rate has increased 41% since 2020, some special interests are predictably placing the blame on their favorite boogeymen and diverting attention from the major reforms that will be needed to get costs under control.

The good news: Massachusetts Governor Maura Healey is looking at the full picture of what's needed to rein in energy prices. The Energy Affordability, Independence and Innovation (EAI) Act, which Healey introduced in May, would take a more cost-effective approach to upgrading the state's aging power grid, give Massachusetts households and businesses access to more energy resources to meet growing demand, and limit huge swings in rates that customers get charged for electricity. These

and other provisions in the EAI Act could save Massachusetts energy consumers more than \$14 billion on their energy bills over the next ten years.

There is no silver bullet to rein in energy costs. Governor Healey's plan acknowledges the need for a comprehensive, all-of-the-above strategy to solve for affordability. While each state will need its own tailored set of solutions, Healey's expansive policy approach should be embraced in capitals across America.

Investing Responsibly to Keep Energy Reliable and Affordable

The combined cost of transmission and distribution—getting electricity from the power plant to the customer—is often the greatest contributor to retail electricity rates. Investing in these kinds of grid infrastructure is essential to ensure reliable power across the state, but the owners of that infrastructure shouldn't be given a blank check to build more than what's needed.

Governor Healey's legislation would push utilities to do comprehensive planning of their distribution needs, which would help to identify lowest-cost options to keep the lights on. These would include efforts to manage demand that reduce peaks in electricity use and could avoid the need for some costly investments in new poles and wires. This planning provision of the EAI Act alone is projected to save Massachusetts customers \$1.8 billion over the next decade.

The EAI Act applies this same concept of “shaving off peaks” to improve the process for connecting new generators and users of electricity to the grid. Utilities conduct interconnection studies to make sure that adding a new source or consumer of electricity won't overload the system, and to determine what infrastructure upgrades are needed to keep the grid running smoothly even under the maximum strain added by these newbies. The Healey bill would modernize this process by providing new generators and consumers with the option to reduce their use of the grid during peak periods. If they can agree to operate flexibly, utilities would be able to connect them to the grid faster, with fewer infrastructure upgrades, and at lower cost to ratepayers.

Taking Advantage of More Energy Options

Even with the successful use of energy efficiency and demand management efforts, Massachusetts will need additional sources of energy to heat homes and power an economy that is both growing and electrifying.

The EAI Act takes a pragmatic, all-of-the-above approach to expanding energy supply while keeping energy affordable. For example, Governor Healey's legislation would remove the requirement that any new nuclear plant be approved via a statewide ballot initiative, allowing these plants to go through the normal siting and regulatory process instead. With this adjustment, Massachusetts could consider advanced nuclear technologies that provide reliable baseload power—an essential complement to variable renewables like wind and solar—without increasing the state's

dependence on volatile natural gas markets. If these facilities were determined to help stabilize prices over the long term, Massachusetts should be able to pursue them.

The Healey bill also includes a provision to expand the use of geothermal heat loops—networks of underground pipes that connect to heat pumps and can help to efficiently heat and cool buildings. By allowing utilities to own heat loops serving a single customer, as they’re already allowed to do for those serving multiple customers, the EAI Act would help more facilities in the state overcome the large capital costs of installing these systems. In addition to reducing costs for these individual customers, this provision would save all consumers money by decreasing system-wide demand for electricity and gas and avoiding the costly infrastructure needed to deliver them. This one policy adjustment could save customers \$130 million over the coming decade.

The EAI would further broaden the state’s energy portfolio by letting utilities enter bilateral contracts for renewable natural gas (RNG) generated from sources like landfills and anaerobic digesters. This RNG would be injected into the existing gas distribution system, diversifying the state’s gas supply and saving customers \$230 million over the next ten years.

And as discussed, the Healey plan would make it faster and cheaper for new energy projects to connect to the grid through the use of flexible interconnection agreements. From solar farms to battery storage, these changes would help bring a wide variety of new energy sources online, increase the state’s energy independence, and cut long-term costs for consumers.

Allowing Utilities to Make Smarter Procurement Decisions

In 2024, 51% of electricity supplied to consumers in Massachusetts and the surrounding New England region was generated using natural gas. Gas prices can and do swing wildly based on factors like weather (e.g. higher demand during cold spells), global unrest (Russian invasion of Ukraine), or supply disruptions (pipeline maintenance). As a result, Massachusetts consumers are vulnerable to major spikes in electricity bills. The Department of Public Utilities, the state’s regulatory authority, currently requires utilities to follow a rigid schedule for entering into contracts to procure power, using 6-month contracts to purchase for their residential and small business customers and quarterly contracts for the rest.

Under such a prescriptive mandate to purchase power and set corresponding rates to charge customers at very specific times of the year, utilities have limited opportunity to take advantage of periods of low-cost power. This system can also force utilities to lock-in purchases at times of unusually high cost for gas and, consequently, the power it’s used to generate. The current DPU rules similarly give utilities little leeway to delay or spread costs over a period of time, leading to immediate and sometimes massive increases in utility bills.

Governor Healey’s solution is straightforward: her legislation would give utilities greater flexibility in when they make wholesale power purchases and for what length of time. This will give utilities

greater ability to plan for and respond to projected changes in wholesale power prices and potentially reduce the costs they pass along to customers. The EAI Act also protects consumers by changing when utilities can adjust their rates to avoid huge surges in customer bills.

Conclusion

Massachusetts residents and businesses are struggling to pay electricity bills that keep rising. This is the time for bold, pragmatic action to take on the root of the problem. By requiring utilities to do much better planning to avoid huge rate hikes, making long-neglected investments in transmission and distribution infrastructure, using all the energy options available to Massachusetts, and reforming how utilities procure power, Governor Healey is acting aggressively and decisively. The legislature also has shown an eagerness to address this issue, holding multiple hearings to examine the EAI Act and energy affordability more broadly.

Massachusetts is pursuing comprehensive solutions, not just quick fixes. This is the type of approach that will actually deliver results for ratepayers, and it sets a strong example for other states and the federal government to follow.
