

MEMO Published October 9, 2026 · 7 minute read

Ratepayer Protection Act is a Start, But for New Jersey, Clean Energy Can Help Keep Rising Energy Costs from Data Centers in Check

Carson Ohlen, Francesca Hsie, & Emily Becker



Electricity prices in New Jersey have increased 54% since 2021 and will continue to climb through the end of the year. Energy costs have been increasing for some time, caused in large part by our aging electric grid and volatility in natural gas prices. But the recent growth in artificial intelligence has exacerbated existing problems, creating significant additional energy demand in the region. Data centers are putting upward pressure on energy prices and accelerating the need for investments to maintain and modernize the grid.

The Trump administration's efforts to obstruct clean energy deployment haven't helped. By working to cancel or delay clean energy projects, the Administration has kept much-needed electricity from coming online. Electricity demand is surging, and the Administration is preventing clean energy from rising to meet it.

To truly mitigate the impact of data centers on energy bills, the United States needs to massively deploy clean energy across the country. Anxiety is high, with one in six American households behind on utility bills. Gov. Mikie Sherrill made energy affordability a focus of her 2025 gubernatorial campaign, promising to freeze rates on day one. Since taking office, she has doubled down on her effort to lower costs, streamlining New Jersey's permitting process and lifting its 50-year ban on nuclear energy.

Congress is attempting to tackle the problem at the federal level by passing the *Ratepayer Protection Act*. But does the bill actually expand the supply of energy to mitigate data center-related price spikes?

What's the Ratepayer Protection Act?

The growth of artificial intelligence means a growing need for energy-intensive data centers throughout the United States. While data centers don't always raise energy costs, rising energy demand will increase customers' utility bills in much of the country without preventive measures at the state and federal levels.

Policymakers of all stripes have offered solutions to growing energy demand from data center deployment — from temporary construction pauses at the state level to 'pay your fair share' proposals for tech companies to outright national moratoria on data center construction. In September, the House of Representatives voted to pass one such proposal, the bipartisan Ratepayer Protection Act. Introduced by Congresswoman Kathy Castor (D-FL-14) and Congressman Gabe Evans (R-CO-8), the bill directs states to ensure large-load customers cover the full incremental costs their projects impose on the grid.

Congress can only do so much to blunt the impact of surging energy demand on consumers because our energy sector is jointly regulated, with jurisdiction divided between federal

agencies and state governments. As a result, the Ratepayer Protection Act uses one of the few tools available to Congress: encouragement. Existing law gives the federal government the power to require states to *consider* taking steps like imposing a large-load tariff. It's a small but sensible first step. On its own, however, the Ratepayer Protection Act won't solve the problems posed by rapid expansion in energy demand.

What's Missing from the Ratepayer Protection Act?

The federal government cannot force states to act. And many states, such as Michigan, North Carolina, and Pennsylvania, are *already* developing large-load tariffs to ensure data centers cover the full costs of connecting to the grid. These states are exempt from the Ratepayer Protection Act.

New Jersey has taken steps to enforce large data centers paying more of the costs they add to the electric grid, with additional regulations to come. In July, Gov. Sherrill signed a law to create a separate electricity rate for large data centers, requiring them to cover the grid costs associated with their energy use. State regulators are now developing that rate. The law builds on actions Sherrill took on her first day in office to address rising electricity costs, including providing bill relief, limiting additional rate increases, expanding power generation, and addressing growing demand from data centers.

The Ratepayer Protection Act would provide guidance encouraging every state to do the same, which is no bad thing. But the bill may do little more than spark conversation within states: those that have adopted large-load tariffs will simply need to determine whether they have met all the bill's suggested parameters, and those without existing tariffs will simply have to consider whether changes are needed in their state.

The Ratepayer Protection Act's proposed large-load tariffs help divide up the cost of energy investments fairly. If implemented, these tariffs are intended to capture the direct costs that individual data center projects impose on the grid. But the bill does not do anything to address the rising indirect costs the industry may be contributing, let alone how high those costs are to begin with.

Protecting ratepayers from soaring power bills means not only requiring large-load users to cover the full cost of their own projects but also reducing energy costs in the first place. Doing so means deploying as much electricity generation as possible.

Amid tremendous instability in global fossil fuel markets and an ongoing need to reduce greenhouse gas emissions to mitigate climate change, there is both an economic and an

environmental case for ensuring that most of the energy brought onto the grid to serve data centers is clean. But that is, in itself, no easy feat.

States will need to figure out not only who will build and pay for this additional energy, but also how to remove the permitting and siting delays that are blocking clean energy deployment.

In short, a durable and effective solution to the challenge of growing energy demand from data centers *also* requires state and federal intervention to rapidly grow clean energy deployment across the United States.

The Reality of Price Increases in New Jersey

Forecasts from the National Energy Assistance Directors Association (NEADA) showed residential utility bills in New Jersey rising about 7.9% from last year. Applying NEADA's projected rate of increase to recent electricity bills from MIT and Heatmap put summer bills in the Garden State at \$950, up from \$880 last summer. Total electricity bills for summer 2026 could have exceeded \$1,150 for some New Jerseyans.

What's Next for New Jersey?

Rising energy costs are a compounding problem, and delayed action only makes the problem at hand more daunting. Federal, state, and local governments should be working together to expand generation and improve our aging grid. Instead, the Trump administration has made it significantly harder to meet rising energy demand.

To grow domestic energy generation and mitigate the impact of rising electricity demand, increasing clean energy deployment is a natural next step. Clean energy sources like wind, solar, and batteries take less time to build and aren't subject to the same kind of supply chain shortages and price fluctuations that plague natural gas. But the Trump Administration has stymied clean energy deployment by undermining financing for clean energy, imposing administrative roadblocks that delay project reviews, and formally deprioritizing low-cost resources like solar and wind in federal directives.

What Comes Next at the Federal Level?

To expand upon the Ratepayer Protection Act, Congress, the Federal Energy Regulatory Commission, and regional grid operators should quickly establish a federal transmission-tariff standard for large-loads, ensure the indirect costs being driven by the industry are

effectively captured and reinvested in the energy system, and require greater transparency from data centers, including where they plan to build, when projects will come online, and how much electricity they expect to use.

Just as importantly, Congress must pursue effective permitting reform legislation to allow clean energy deployment to proceed without undue bureaucracy.
