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

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Electricity prices in New York have increased 52% 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. Kathy Hochul put these cost concerns front and center during her State of the State address, vowing to hold utilities accountable, strengthen New York's aging grid, and expand clean energy supply, including nuclear power.

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 York is contemplating a tariff while putting new projects on hold. In February, state regulators launched a review of how data centers connect to and pay for the electric grid, with recommendations expected early next year. In July, Gov. Hochul signed the nation's first statewide moratorium, pausing state permits for large new data centers for up to a year. The moves come as proposed data center demand has surged, growing from about 1 GW in 2022 to 12 GW by the end of 2025.

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 York

Data from MIT and Heatmap shows that New Yorkers spent about \$120 on their electricity bills last May. By July, they were spending around \$230, an 86% increase. This year, forecasts from the National Energy Assistance Directors Association (NEADA) suggest New Yorkers' residential utility bills will climb 7.9% from last year's highs. If we apply that estimated rate of increase to recent electric bills from the Empire State, New Yorkers' total summer electric bill neared \$800, up from around \$730 last summer.

What's Next for New York?

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.
