

# Understanding Electricity Prices in New England

The cost of electricity, like many everyday expenses, has increased in recent years. Those increases reflect a mix of factors, including fuel prices, weather, infrastructure needs, and public policy decisions. Your bill includes several charges that help generate electricity, deliver it to your home, and keep the power system reliable. No single organization controls all of the costs.

## Who Influences Electricity Prices?

Like most commodities, electricity is first produced and sold on the wholesale level before it is sold and distributed to consumers on the retail level. Different parts of your bill are influenced by different entities at the wholesale and retail levels.

- **ISO New England** administers the wholesale energy markets, plans transmission needed to meet mandatory reliability standards, and operates the regional system. The ISO does not set retail rates, own power generators or transmission lines, approve delivery charges or taxes, or decide state energy policies or programs.
- **Federal regulators** approve regional transmission rates.
- **State utility regulators** approve distribution delivery rates and other parts of the overall retail bill.
- **State governments** set energy policies that can add charges or programs included on bills.
- **Utilities** deliver electricity; maintain the poles, wires, and meters; and purchase default service supply if you don't pick a competitive supplier.
- **Competitive suppliers (if you choose one)** are licensed by states to compete in the retail market to provide supply to customers.

## Wholesale vs. Retail Prices

### Breakdown of New Englanders' annual electricity costs



- Wholesale prices can change from hour to hour based on weather and demand.
- Retail prices change less often, set in longer-term rates by your state public utilities commission, where differences are not reflected until a future time period.
- Wholesale prices have increased during events like the colder-than-normal winter in 2017/2018, and the spike in global fuel costs following Russia's invasion of Ukraine.
- Even when wholesale prices later fell, retail prices often stayed the same or rose because your total bill reflects more than just the cost of electricity supply.

SOURCE: ISO NEW ENGLAND

## What Makes Up a Retail Electricity Bill?



### Electricity Supply (Power You Use)

- This is the cost of making electricity. Power is produced by generators, fueled by natural gas, nuclear, renewables and other sources.
- These generators compete in the wholesale markets run by ISO New England. Utilities and competitive suppliers buy power in the wholesale markets to resell to retail customers. They can also do this outside of the market via contracts.
- Wholesale energy prices can change based on weather, fuel costs, and how much electricity people are using, which can have an impact on retail prices.
- Retail supply offers include risk premiums and administrative costs.



### Delivery (Getting Power to You)

These delivery charges pay for the wires and equipment that move electricity from power generators to your home or business:

- **Transmission** is the high-voltage grid managed by the ISO that moves large amounts of power across the region. These costs are regulated by the Federal Energy Regulatory Commission (FERC). The ISO plays a role in ensuring the transmission system is planned reliably for the future. Investments in transmission have reduced overall costs by allowing electricity to move more freely across New England, meaning cheaper delivery and less need to run higher-cost local generation.
- **Distribution** is the local network of poles, wires, substations, and meters that bring power to your door; these costs are approved by state utility regulators. This also covers billing, customer service, meter reading, and other daily operations of your utility or retail power supplier. The ISO does not plan the distribution system.

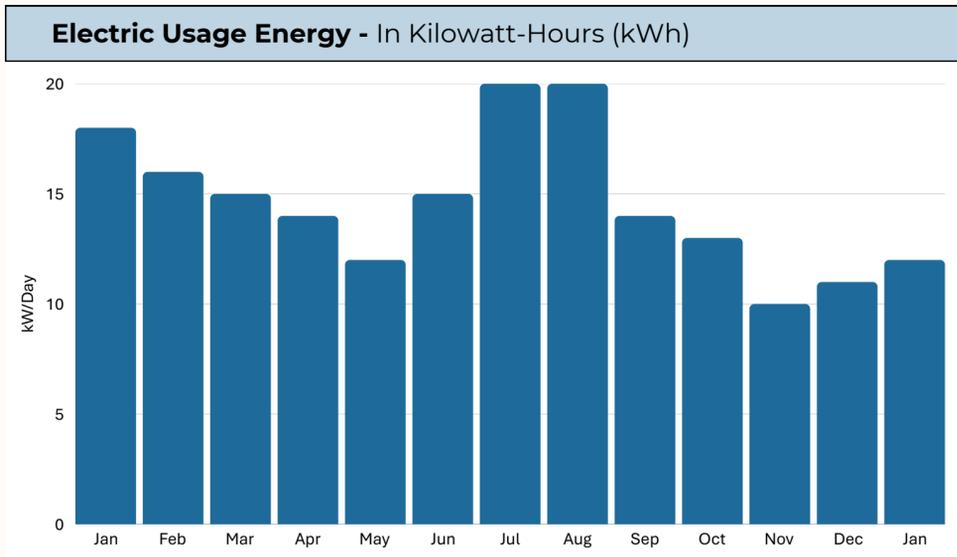


### Taxes and Policy-Related Charges

These charges support energy assistance programs, energy efficiency and state or federal clean energy initiatives, and other regulatory or policy requirements.

# SomeElectricCo. Sample Retail Bill

Date : MM/DD/YY
Account Number: 000000



Service Address 123 Main Street, Somewhere, MA			
Meter Number	Current Read	Previous Read	Current Usage

The meter reading summary shows how much electricity you used in kilowatt-hours.

Total Amount Due by MM/DD/YY		<b>\$xxx.xx</b>
<b>Supply</b>	<b>Delivery</b>	
<b>\$xx.xx</b>	<b>\$xx.xx</b>	
Current Charges/Credits	\$	
Electric Supply Services	\$	
Delivery Services	\$	
<p> This is the cost based on how much energy you use. If you have standard service rate, it is bought from suppliers on your behalf and passed to you.</p>		<p> This charge includes distribution, transmission, and public benefits. These costs support the equipment that delivers electricity and fund state and federal energy programs. Transmission rates are regulated by the Federal Energy Regulatory Commission.</p>
<p>Your Electricity Supplier is SomeElectricSupplier POBOX 0000 Somewhere, MA</p>		<p> This displays your supplier rate and terms. If your supplier is not your utility, you will see contact info for your supplier.</p>

Types of Charges for Electricity	
<b>Customer Charge:</b>	Cost of providing metering, meter reading, and billing. This charge is not affected by the actual amount of power you use.
<b>Distribution Charge:</b>	Cost of delivering electricity from the beginning of the utility's distribution system to your home or business.
<b>Transmission Charge:</b>	Cost of delivering electricity from the generation company to the beginning of the utility's distribution system. These charges are regulated by the Federal Energy Regulatory Commission.
<b>Renewable Energy Charge:</b>	Charge to fund state initiatives for renewable energy.
<b>Energy Efficiency Charge:</b>	Cost of energy efficiency program services offered by the utility.
<b>Electric Vehicle Program:</b>	Recovers the cost of the Electric Vehicle Program, which includes rebates for installing EV chargers and off-peak charging.
<b>Payment Assistance:</b>	Typically funds programs designed to help low-income households with their utility bills and additional resources.

These are just a few examples of the charges you may see on your utility bill. Charges can vary depending on your state and utility.