



Electricity Affordability: How are States Responding?

Midwestern Governors Association
April 7, 2026

Policy Goals

- Back to basics

- Least cost, reliable service
- Allocation: beneficiary pays/ cost causation
- Risk management
- Avoid mistakes (e.g., rate freezes)

- Economic conditions

- Aging, saturated infrastructure
- Demand shock: validate forecasts!
- Supply crunch: lower *artificial* costs
 - Supply chain backlogs
 - Inefficient status quo regulation

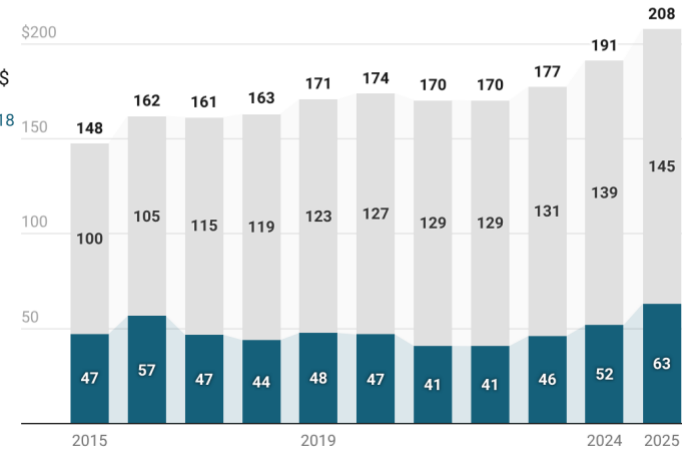


Sources: LBNL retail [price trends](#) 2026.

Investor-Owned Utility Annual Capital Expenditure

Billion \$, inflation-adjusted to 2025\$

■ Generation CapEx ■ All Other CapEx

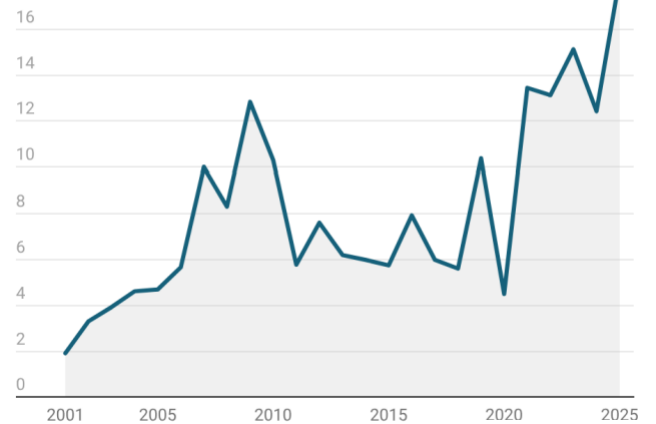


Source: EEI • Created with Datawrapper

Investor-Owned Utility Rate Change Requests

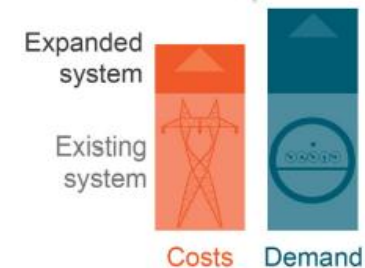
Billion USD in increased revenue requirements, inflation-adjusted to 2025\$

\$18 billion



Source: S&P Global • Created with Datawrapper

Prices tend to fall when...



Demand increases proportionally more than system costs, as may occur if demand growth does not require significant system upgrades or system upgrades cost less per unit than the existing system

Prices tend to rise when...



System costs increase proportionally more than demand, as may occur if demand growth requires significant system upgrades with higher per-unit costs than the existing system

Transmission

- Planning & cost allocation
 - Cost vs. cost savings (i.e., econ benefits)
 - MISO complaint lessons
 - O1920 compliance
 - Local project oversight
- Advanced technologies
 - Bottom-up RTO stakeholders
 - Indep. evaluation, IMM role?
- Competition
 - No in-service delay evidence
 - Cost/risk advantage

Uneconomic Transmission BAU

CoS incentive + siting bias = local Tx project overbuild
& inter/regional underbuild
>90% projects: no prudence review or competition

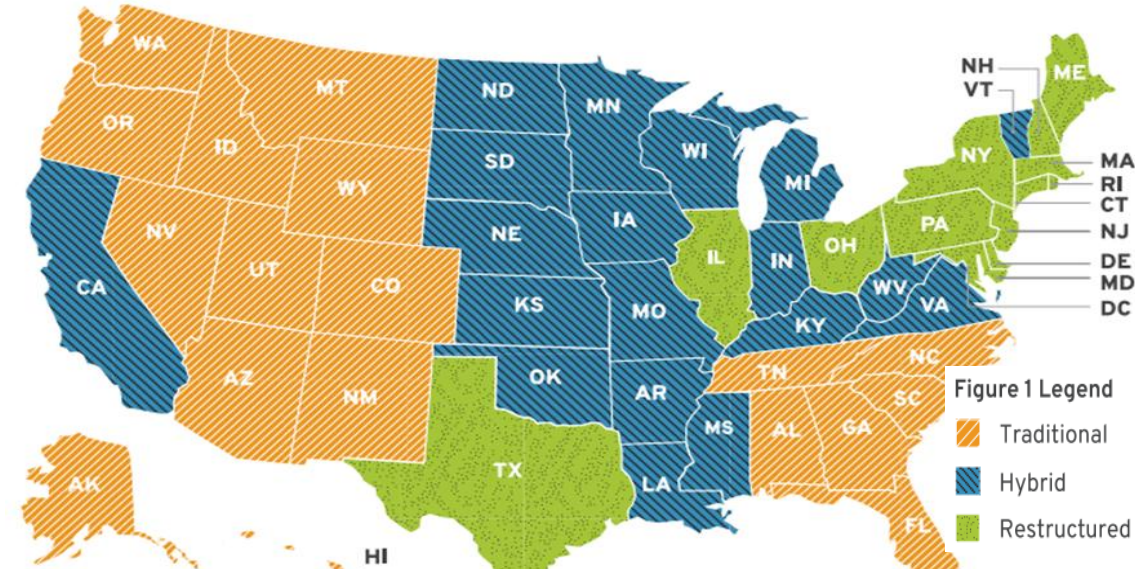
Consumer Principles



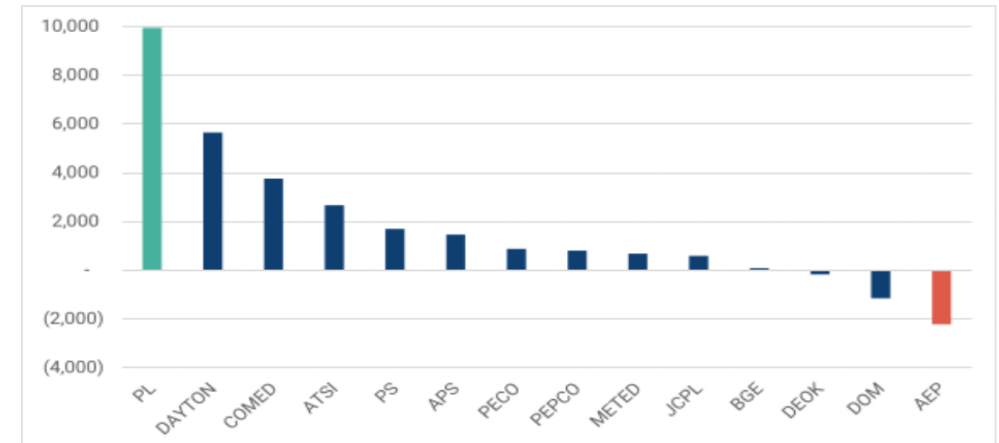
Wholesale

- MISO
 - Coordinate utility planning
- PJM
 - Price cap < new entry cost
 - IOU costlier than market
 - Supplemental auction uncertainty
- Wholesale-retail compatibility
 - Fix forecasts! (retail roots, RTO validate)
 - Utility IRP and IPP mixtures
 - Capacity market vs. retail hedging periods

Figure 1: State Status by Electric Paradigm



PJM 2026 Utility Requests vs 2025 PJM Approved Large Load Adjustment Requests (MW): 2026-2031



Retail

R Street Retail Scorecard			
N. Dakota (D)	Nebraska (N/A)	Illinois (B+)	Minnesota (D-)
S. Dakota (D)	Missouri (D)	Indiana (D)	Ohio (B+)
Kansas (D+)	Wisconsin (D-)	Iowa (D)	Michigan (C)

- CoS states: large load tariffs vs. C&I market access
 - 2025: PUCs approved 29 large load tariffs Likely BAU upgrade
 - C&I market push (e.g., MO, IN, MI, IA, WI) Superior cost, risk, & speed profile
- Competitive states: implement better
 - E.g., default service auctions
 - Remove cross-subsidies e.g., Ohio HB 15



Entry Barriers

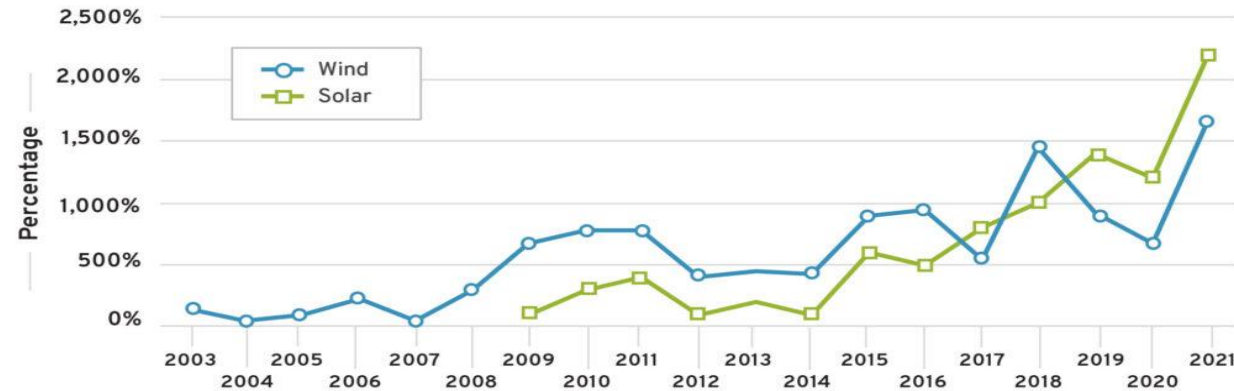
- Permitting & siting

- States: biggest barriers, neg trend
Fixes: tie restrictions to demonstrated harm, better information, appeals process for property owners, tech-neutral leg/process
- Fed: exec. heavy, mixed trends
Fixes: litigation risk, predictable, permanent

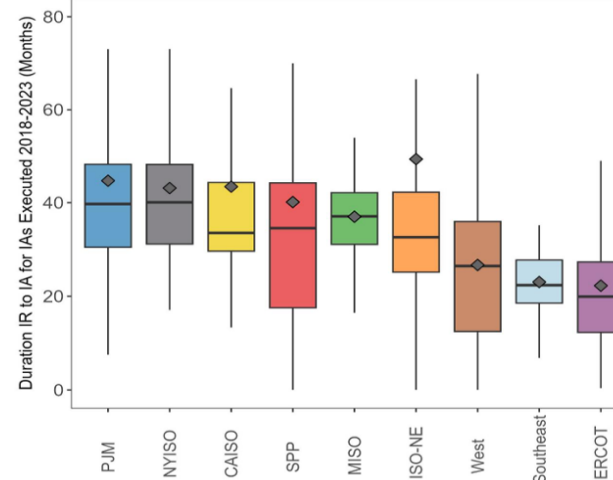
- Interconnection

- Top-push vs. bottom-up reform
Fixes: best study & mngrt practices, info tools, non-discriminatory fast-tracking, simplify deliverability, proactive Tx planning

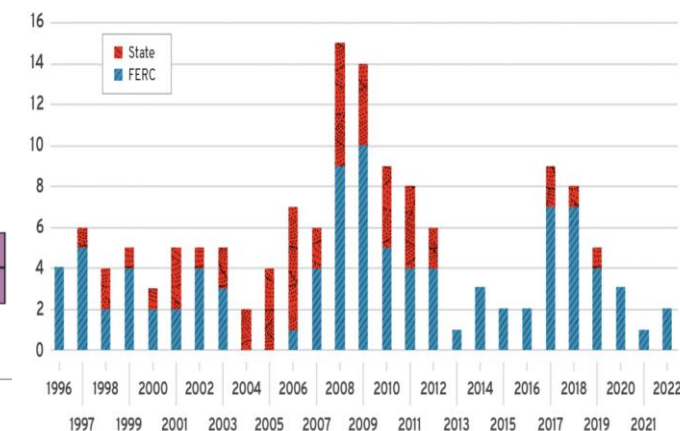
Percent Change in Annual New Ordinances (Start Yr Indexed)



Interconnection Delays



Completed Pipeline Projects by Permitting Authority



Thank you!

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Appendix

Cost-Focused Instrument Choice

Policy Framing

1. Cost \neq price
2. Goal: prices reflect fundamentals
3. Diagnose cost drivers correctly (e.g., PJM)
4. Remedy artificial costs
5. Remedy competitive conditions

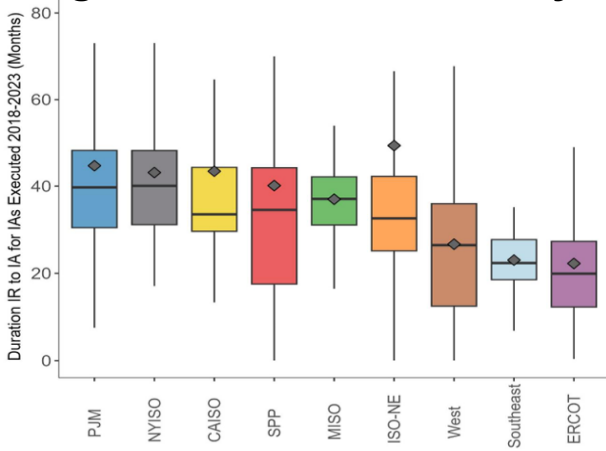
Avoid

- Price controls: deter low-cost entry & OpEx
- Subsidies: *shift* but do not lower costs, deter cost-cutting efficiencies, add deadweight loss

Reform

- *Artificial* barriers to entry/exit (e.g., permitting)
- *Artificial* market power (e.g., cost-of-service)
- Enhance competition: (e.g., transparency and efficient market power mitigation)

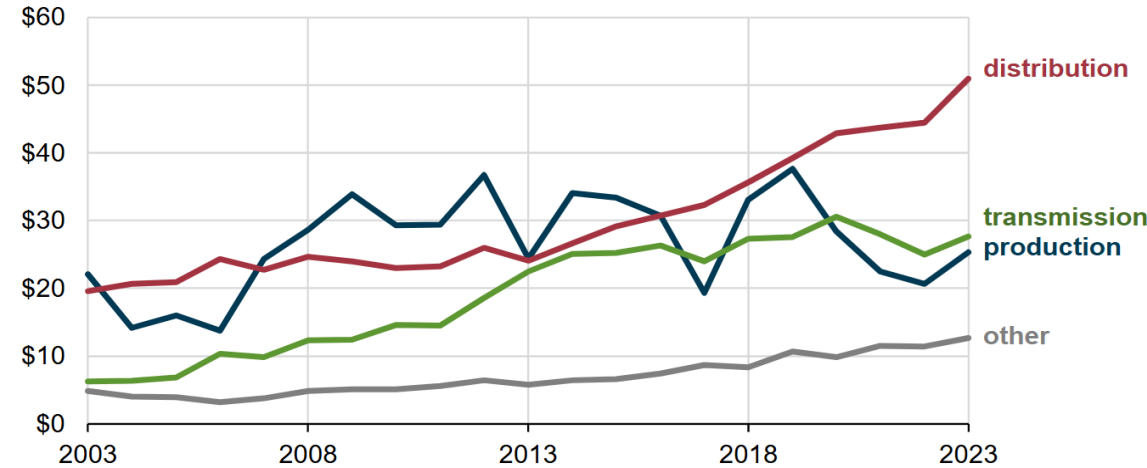
E.g., Interconnection Delays



Cost-Conscious Power Reforms

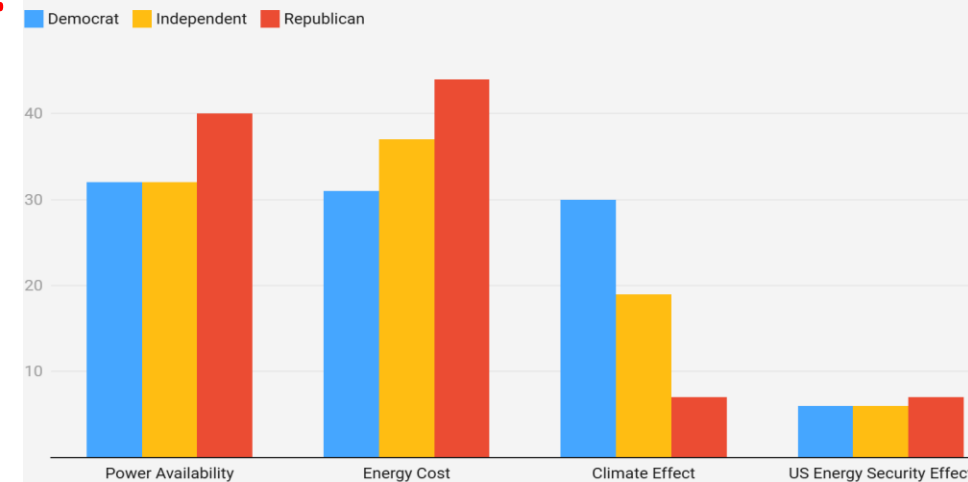
1. Accurate load forecasting
2. Economical T&D
3. Efficient markets
 - Wholesale & retail competition
4. Low entry/exit barriers
 - Permitting/siting
 - Interconnection
 - Legacy gen policy
5. Cost-minded emissions pivot
 - Negative & low-cost abatement

Annual U.S. capital additions by sector (2003–2023)
billions of 2023 U.S. dollars



2-4x gen entry time inc.
Artificial barriers + supply chain delays

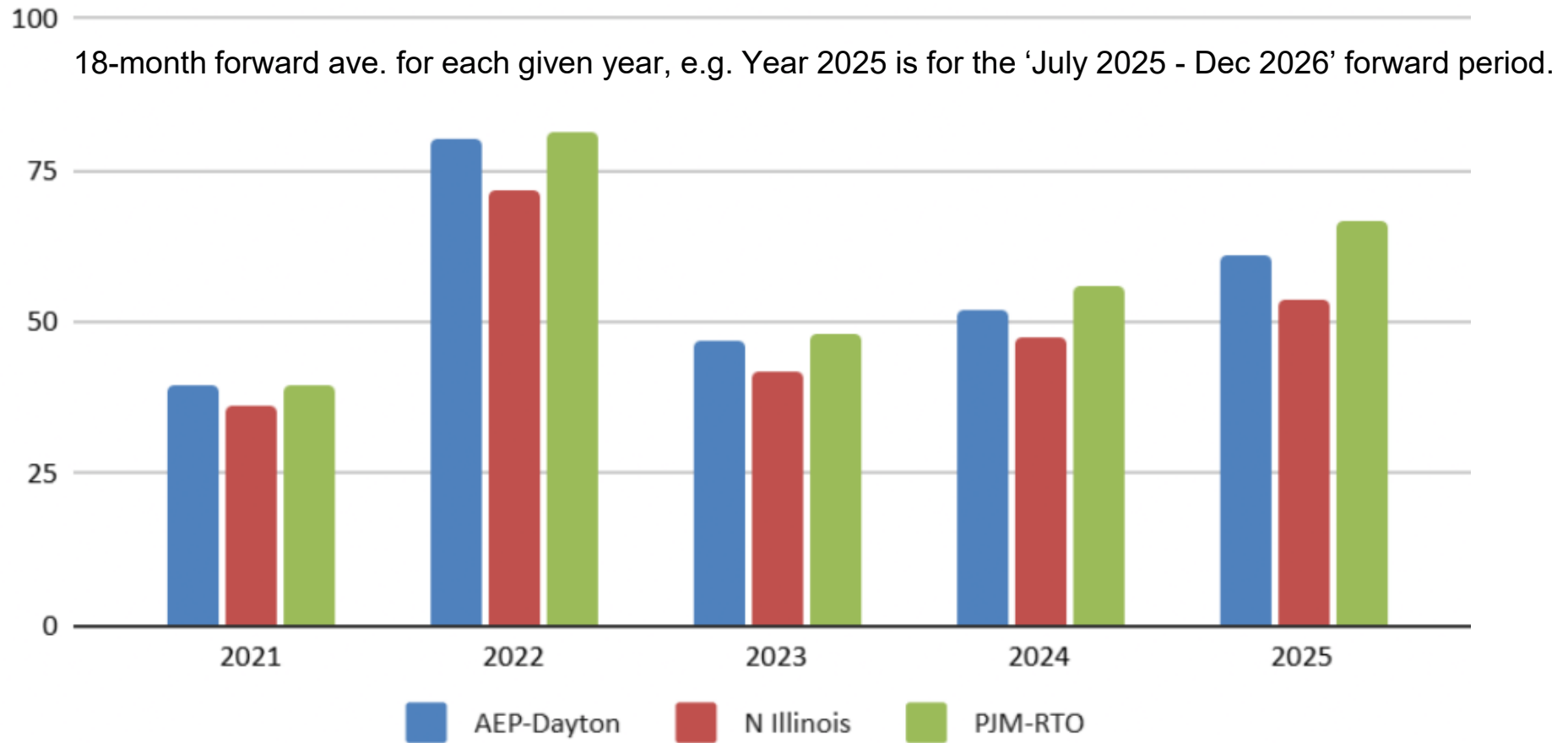
Voters' Energy Values by Affiliation



For greater detail see R Street [comments](#) to DOE on Speed to Power. See also R Street & PPI via FAS [paper](#) on “Cost Come First in Reset Climate Agenda”. EIA [source](#).

Smart Money Trends

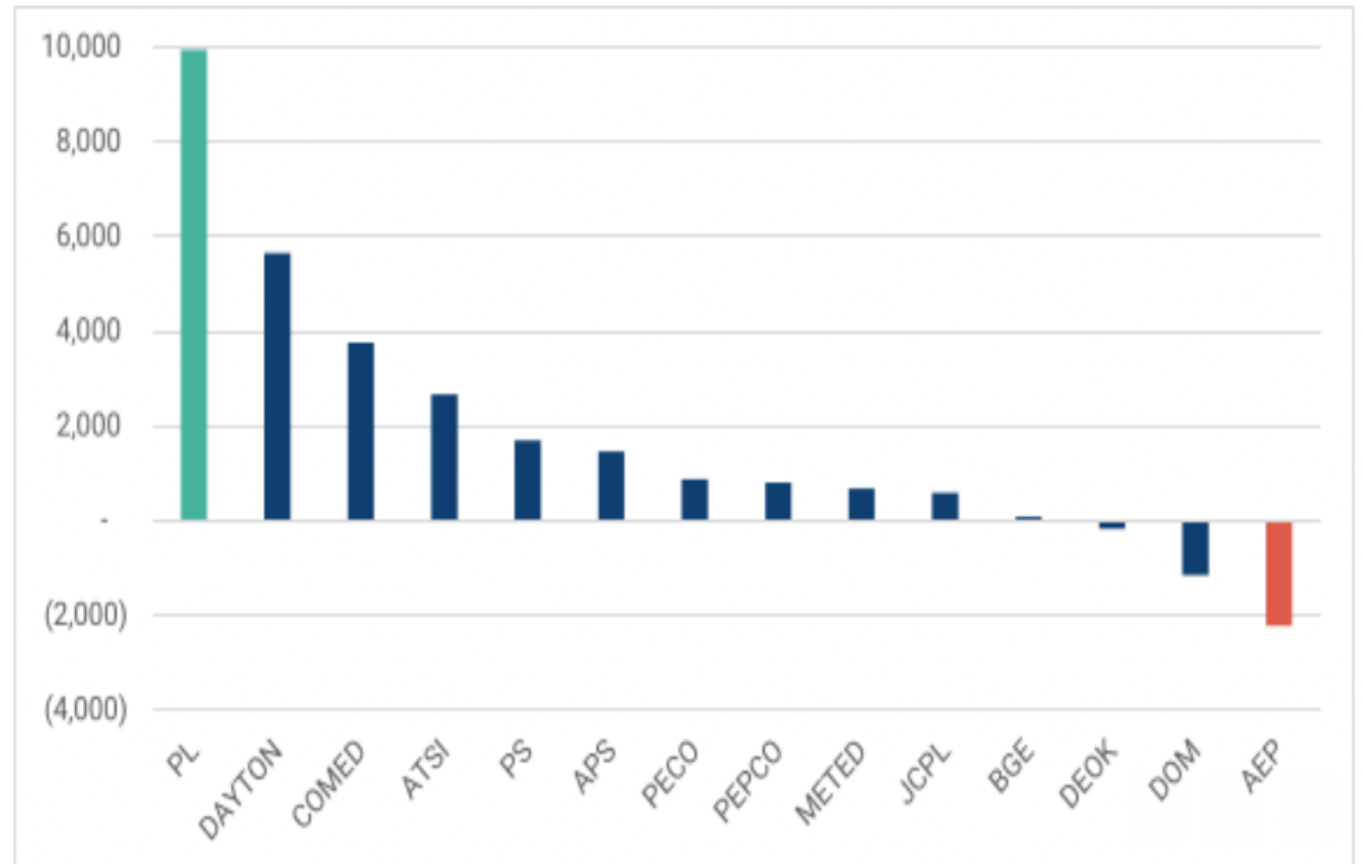
Forward prices < implied utility forecasts



Load Forecasting Uncertainty

- Retail errors → wholesale problems
 - Methods & sources
- Accuracy options:
 - Load collateral req.
 - Indep. forecasting
 - PUC oversight
 - PUC-FERC coord.

PJM 2026 Utility Requests vs 2025 PJM Approved Large Load Adjustment Requests (MW): 2026-2031



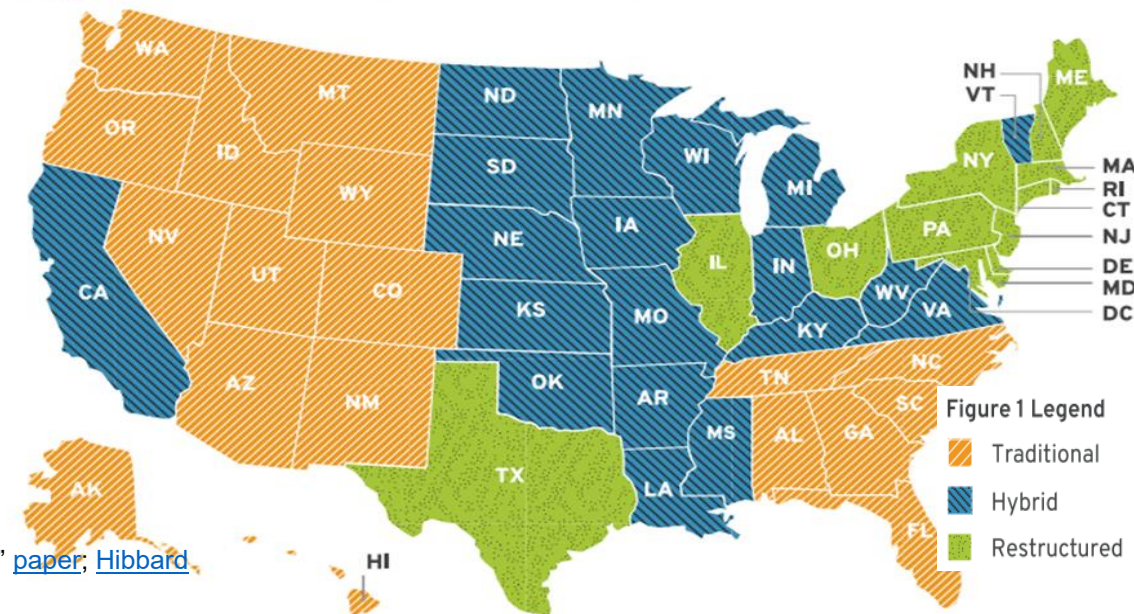
Markets > CoS Regulation



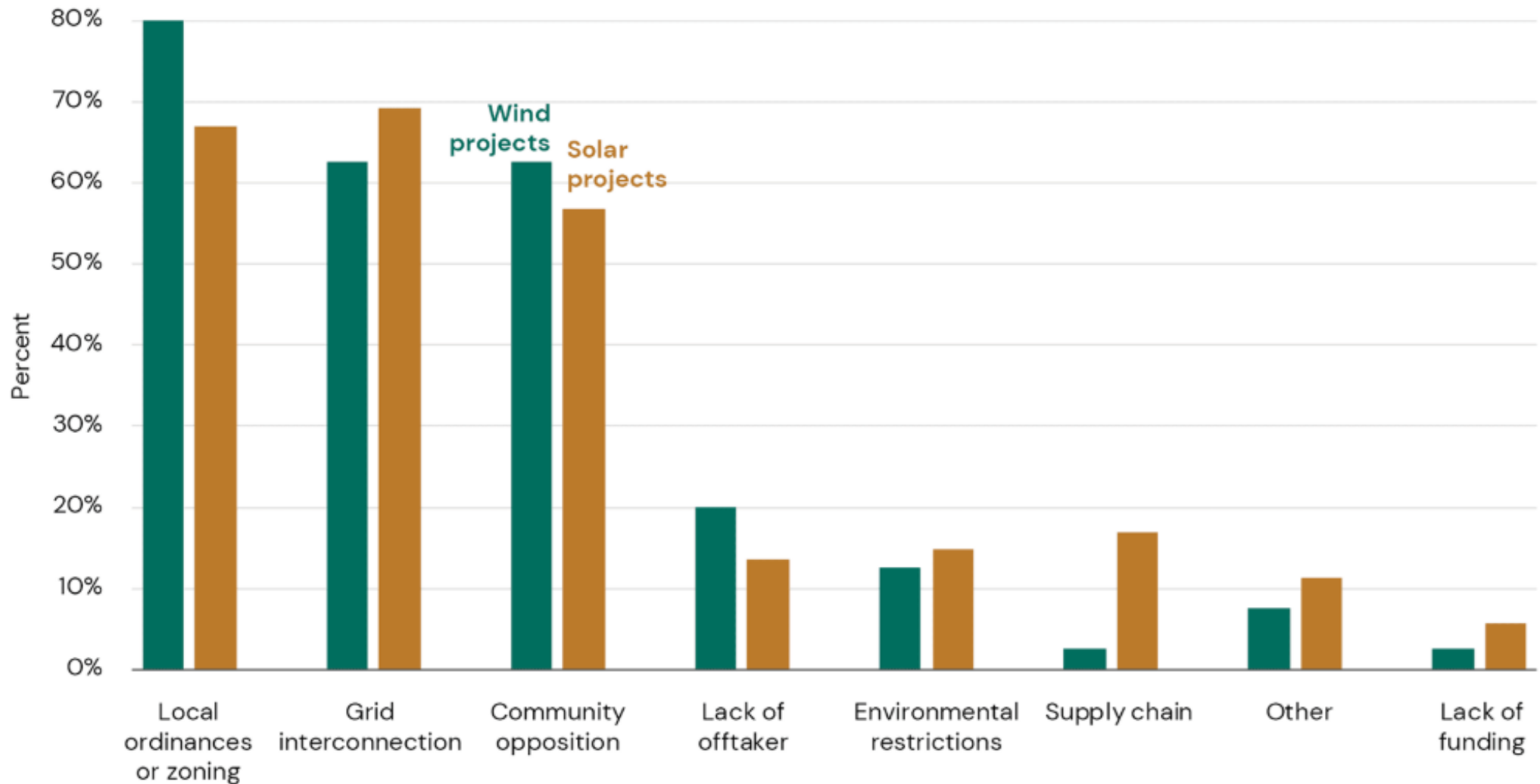
- Both models attract capital
- Market cost advantage:
 - Generation OpEx, CapEx, innovation
 - Retail cost, product innovation
 - C&I market access movement
 - Econ profile more market conducive
- Market improvement:
 - Governance, E&AS market design
 - Capacity procurement rules
 - Retail hedging, transparency, education

“wholesale competition worked as intended...easy entry and exit markets of ERCOT, California, and the Northeast, and much more slowly in the vertically integrated Midwest, West and Southeast.”
- 2017 DOE Reliability Report lead

Figure 1: State Status by Electric Paradigm



Leading causes of cancellation for wind and solar projects, 2016–23



Source: Nilson, Hoen, and Rand 2023, p. 11.

Note: The sample consists of responses from 123 industry professionals from 62 companies, together responsible for about half of wind and solar capacity from 2016 to 2023. There are 88 solar projects and 44 wind projects. Respondents reported the top three reasons that a project was cancelled.

Source [link](#).

Generation Post-OBBBA

S&P: “Risk—not capital—is the constraint on wind and solar PV [photovoltaic] growth. A wide range of major players across the energy and finance industries have indicated no change to investment strategies—including investment in wind and solar PV—amid the dramatic change in tone from the US government, removal of climate-specific languages from websites, and select high-profile shifts, such as BP’s pivot back to fossil fuels.

This largely tracks with our understanding that considerable capital desires to invest in clean energy because it has market value even without subsidization. While we anticipate that less subsidy will consequently reduce investment, it is important to appreciate that other factors driving investment and the uptake of clean energy are still at work.”

Figure 2: Reliability-Accredited Generation Capacity Awaiting Interconnection



Note: Calculations exclude storage (1,028 GW). “Adjusted Interconnection” applies a 14 percent interconnection completion rate and uses capacity accreditation of 25 percent for wind, 38.75 percent for solar, and 90 percent for natural gas.

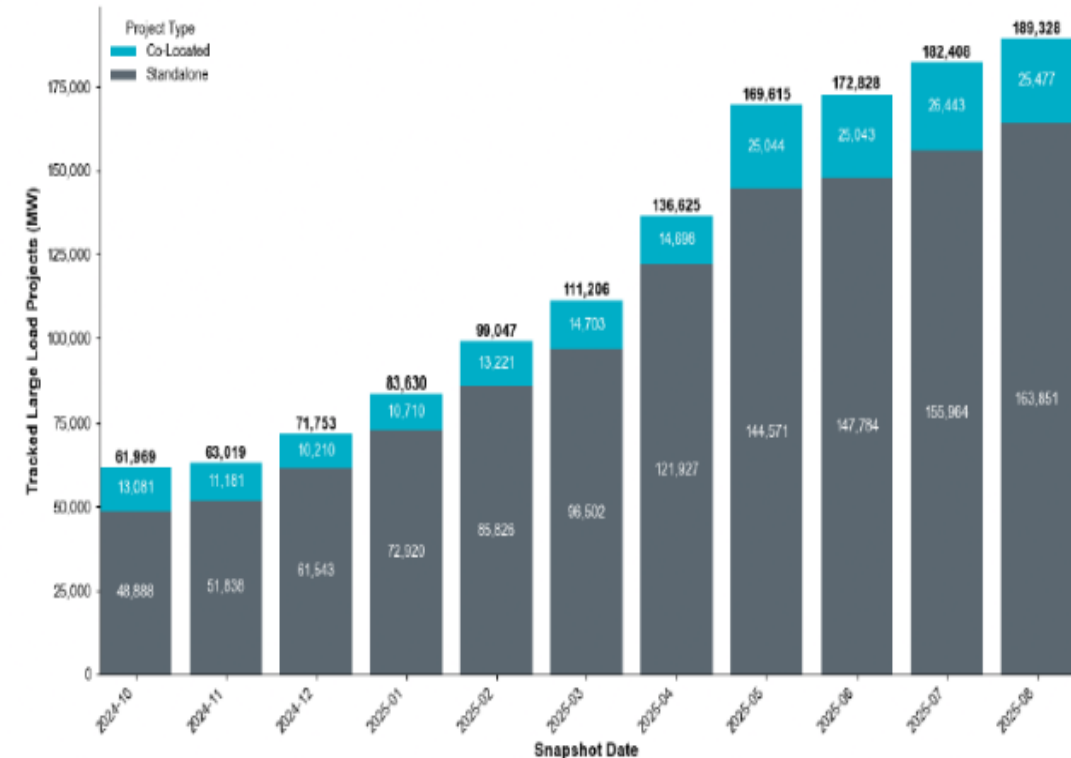
Source: Joseph Rand et al., “Queued Up: 2024 Edition,” Lawrence Berkeley National Laboratory, April 2024. https://emp.lbl.gov/sites/default/files/2024-04/Queued%20Up%202024%20Edition_R2.pdf; “Planning Year 2023-2024: Wind and Solar Capacity Credit Report,” Midcontinent Independent System Operator, March 2023. <https://cdn.misoenergy.org/2023%20Wind%20and%20Solar%20Capacity%20Credit%20Report628118.pdf>.



ERCOT Case

Large Load Queue – Past 12 Months

- Most load-growth ready state
- Market design improvements
- Large load rulemaking
- Transmission expansion
- Dispatchable reliability service reserve
- ½ of requested load materialized



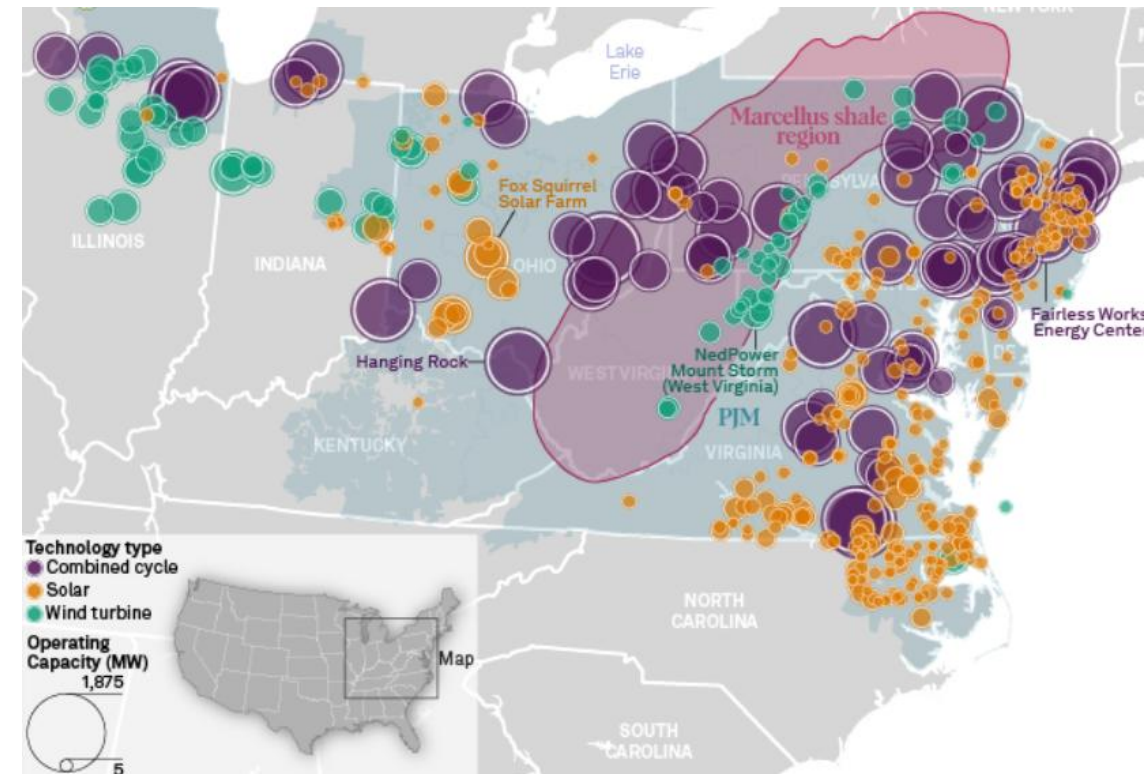
PJM Case

- 2010s:
 - Combined cycle revolution
 - Sufficient IRRs, capital efficiency
- 2020s: **2-4x gen entry time inc.**
 - Entry barriers: state permitting/siting + interconnection + supply chain backlogs
 - Market price < CoS utility self-supply
 - Initial under-forecasted load growth
 - Now over-forecasted load growth
 - Market retains economic legacy plants



S&P Global

“Rising PJM capacity prices lift returns for all assets”



Generation Retirements Policy

- Barriers to exit → barriers to entry
 - Flimsy emergency actions harm reliability
- Reliability (RMR) refinements
 - Voluntary agreements → state shutdown reconciliation
 - Market design to min RMR need
 - Clear, transparent reliability criteria (no RA standard basis)
 - Dispatch ≠ reliability need
 - Prevent RMR abuses
 - Action plan to alleviate the need
 - Market participants need clear forward expectations

**Mutes price
signals**

**Minimal market
distortion**

Reliability Priorities

Recommendation	Reliability Value	Impact Expedience	Considerations
Generator Winterization	High	Fast	Expedite planned changes.
Nat Gas Fuel Assurance	High	Fast	Remedy gas incentives; new reg authority unnecessary.
Flexible Demand	High	Intermediate	Most load shed events avoidable by curtailing low VOLL.
Generator Interconnection	High	Intermediate	Prioritize reforms of the consumer coalition .
Premature retirements	Medium	Fast	Avoid creating barriers to entry by muting price signals.
Wholesale Market Design	Medium	Intermediate	Ensure reliability-compatible incentive structure.
State Resource Planning	Medium	Intermediate	Balkanized IRP needs to reflect regional conditions.
Conventional Transmission Expansion	Medium	Slow	Reliability value and planning void greatest at interregional scale.
Existing Transmission Expansion	Medium	Fast	AI Action Plan priority. Requires cost-of-service reg.
Institutional Coordination	Medium	Intermediate	Reliability institutions lack external policy influence.
Federal Permitting & siting	Medium	Intermediate	Congress, select fed agencies, EO compliance.
State Permitting & Siting	High	Intermediate	Interstate implications of state policy. Fed coordination.

Source: R Street Reliability Priorities [Paper](#)