



The \$14.7 Billion Question: Who's Responsible for New Jersey's Power Crisis?

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I. EXECUTIVE SUMMARY

Energy lies at the core of every functioning society, yet today's world faces mounting challenges as demand accelerates due to technological advancements while supply lags. Ratepayers experience rising costs largely due to the rising demand for AI data centers. Through policy harnessing the price stabilization effect of clean energy and more robust consumer protection plans, the mismatch can be amended.

II. OVERVIEW

Over the summer of 2025, New Jersey electric bills experienced a 17-20% rate hike from the New Jersey Board of Public Utilities, which was due to structural failure within the PJM market from explosive demand growth.

The existing affordability crisis is already crippling the state, with recent polls from the U.S. News ranking the state as 49th overall in affordability rankings. Many are blaming the state's Democratic leadership, and it's become an increasingly relevant issue in the upcoming gubernatorial election in November, where the polls are inching dangerously close due to this issue taking center stage.

A. Relevance

Previous Governor Phil Murphy has set one of the most ambitious clean energy goals of any state: 100% clean energy by 2035. Yet efforts to reach that goal, whether on the local or state level, have stagnated. The term 'NIMBYism', short for "not in my back yard," has become relevant especially for clean energy projects like offshore wind for New Jersey. Opposition groups filed lawsuits, and economic headwinds caused most, if not all, planned offshore wind projects to fail, such as the Ørsted wind farms Ocean Wind 1 and 2. Along with this attitude, many blame decarbonization efforts for contributing to decreasing energy supply, causing the steep hike in electric bills. Murphy also shut down many coal and nuclear plants in the state, which ratepayers see as a contributing factor to rising rates.

These arguments are increasingly important to examine for factuality, especially since the 2025 gubernatorial election determines a large part of New Jersey's future. In fact, a survey conducted in mid-2025 by the New Jersey Business & Industry Association (NJBIA) found that 80% of New Jersey residents think their electricity bills are too high. The Republican Nominee, Jack Citerelli, uses the issue to target his opponent, Mikie Sherril, in recent ads, which feature Sherril stating "it'll cost you an arm and a leg, but if

you're a good person you'll do it" in reference to transitioning to clean energy. The narrator follows, "Now Sherrill wants to lock these high prices in — a plan so foolish, it was criticized by fellow Democrat Phil Murphy." This is a blatant show of deceitful campaigning, which has become common in ads from both parties. The original clip of Sherrill's statement was, in fact, taken from a previous appearance on "The Dean Obeidallah Show" on SiriusXM radio, talking about messaging of the Democratic Party on clean energy. Both sides have distorted the issue of rising energy bills to win over New Jersey voters in the upcoming election,

III. HISTORY

A. What sets this apart

While global energy prices were at a historic low during the COVID-19 pandemic, the Russia-Ukraine War brought them up to a new high as European countries bought more from the US, reducing domestic supply. However, the current price hike in New Jersey is very different from previous fluctuations due to major world events.

B. Rate determination process

To determine the almost 20% rate hike that took place in the summer of 2025, a two-step process of determining energy prices must be examined. The first step of the process is that the PJM grid, covering not only New Jersey but 12 other states, runs a capacity auction, where they accept offers from energy generation operators, starting at the lowest cost until enough energy capacity is secured.

Then, the second phase of this process is the NJ Basic Generation Service (BGS) Auction, which involves four main utility companies that bid to set the price for energy from the PJM grid. The auction, held annually, procures one-third of a given year's power at an agreed-upon price for the next three years. In July 2024, the capacity auction, which ran two years late, saw massive cost increases compared to previous auctions. The total cost went from \$2.2 billion in the previous auction to \$14.7 billion. Marginal price rose by 800%, from \$29/MW-day to \$270/MW-day. About 25 percent of every utility bill reflects this capacity auction's results.

Why have these costs skyrocketed? A hidden contributing factor for this is the exponential growth of data centers. A recent report from PJM's Independent Market Monitor attributes \$9.3 billion of the \$14.7 billion total increase to that growth. Companies like Amazon Web Services (AWS), Microsoft Azure, Google Cloud, and Meta are competing in massive billion-dollar investments in new data centers driven by the demand for AI and cloud services.

IV. POLICY PROBLEM

A. Stakeholders

The New Jersey Board of Public Utilities (NJBPUB) is the main stakeholder in this issue. They work directly with utilities and the state to provide direct and temporary bill assistance to mitigate sudden price spikes. The NJBPUB is a five-member, quasi-judicial board that oversees utilities, approves rates for electricity and natural gas delivery, implements state energy policy (like

the Energy Master Plan), and ensures safe and proper utility service.

State government/legislature experience most of the pushback from constituents who are affected by the rate hikes. They also handle energy goals, like New Jersey's call for 100% clean electricity by 2035 and net negative emissions by 2050.

Utilities/electric distribution companies (EDCs) like PSE&G and JCP&L are responsible for the delivery and distribution of electricity and natural gas to homes and businesses.

New Jersey ratepayers constitute the largest group of stakeholders, bearing the direct financial impact of this change. As costs shift to their utility bills, it influences their policy priorities and voting behavior, shaping who they elect to represent them.

B. Supply vs Demand Imbalance

The primary policy problem is the imbalance between the amount of energy available and the demand. The PJM region, not just New Jersey, has many more data centers, which drives up demand. PJM Interconnection is the largest electrical grid operator in the United States. In September 2025, a coalition of 11 governors, including former Governor Murphy, threatened to withdraw from grid operator PJM at a summit in Philadelphia because of rising energy costs.

A Bloomberg News analysis found that areas near data centers saw an increase in electricity costs of as much as 267% compared to five years ago, showing the magnitude of this imbalance. A report from the Union of Concerned Scientists

found that ratepayers in seven data-center-friendly states within PJM's territory were charged \$4.4 billion for the transmission upgrades data centers require to come online. This just shows the magnitude of this imbalance, which will just worsen if no action is taken to fill this gap.

C. Transition Gap

Although New Jersey has one of the most ambitious clean energy targets, the state is far from its goals. Offshore wind is especially behind with the cancellation of the development of Ørsted 1 and 2 wind projects in 2023, delays in auditing, and other offshore wind project cancellations in the summer of 2025.

Additionally, in the process of increasing the supply of energy, more oil & gas will likely be used, especially under the current administration, and the unlikelihood that tech companies will wait around for clean energy for their data centers.

V. TRIED POLICY

Last year, New Jersey's energy assistance programs provided approximately \$295 million in assistance to more than 455,000 families. Additionally, the Murphy Administration unveiled the Residential Energy Assistance Payment (REAP) initiative, which disbursed over \$48.7 million via a one-time \$175 bill credit for over 278,000 qualifying households.

Community Solar Energy Program (CSEP) allocation is a program where community solar subscribers receive guaranteed savings for

participating in the CSEP, with discounts of 15% or more on community solar credits applied to their bills. CSEP currently serves more than 28,000 New Jersey subscribers, who have received more than \$37 million in bill credits with net savings of more than \$7 million since the start of the pilot program.

These programs have robustly helped hundreds of thousands of New Jersey families pay for energy. However, in April of this year, every member of the LIHEAP staff was laid off. A federal program that has helped over 240,000 households in NJ. These programs are generally very effective for aiding low-income individuals, but the need for aid has gotten much bigger, and even those in the middle class or above struggle to accept this price hike.

VI. POLICY OPTIONS

Relief & Consumer Protection

The primary source of relief for ratepayers is direct financial help. Although this is a short-term solution, it is needed for such sudden changes. A potential policy solution is universal bill credit, which means that all residential ratepayers are eligible for \$100 in direct credits on their electricity bills. On top of that, more credits can be distributed to low-to-medium income residents, scaling based on need. However, this solution is very costly for the state.

Organizations like AARP and citizen groups like CHARGE (Consumers Helping Affect Regulation of Gas & Electric) that lobby and participate in regulatory proceedings advocate mainly to expand eligibility and benefits for existing programs.

Long-Term Price Stabilization via Clean Energy

Clean energy, such as community solar and offshore wind, provides in-state, price-stable generation. Community solar is the main means to increase the state's capacity significantly. Transmission-scale energy storage (large batteries) aims to store excess energy when demand is low and release it when demand is high, which stabilizes the grid and helps prevent costly price spikes.

Why have past projects failed? The most significant blow to clean energy has to do with offshore wind project cancellations happening during 2023, and more recently Atlantic Shores Offshore Wind project withdrew from NJ funding due to challenges from the Trump administration. The previous project stopped due to a combination of macroeconomic factors, including high inflation and rising interest rates, which significantly increased project costs beyond the initial budget. Supply chain delays and issues with obtaining anticipated federal tax credits also contributed to the decision, making the projects financially unviable. As these cancellations become more widespread, wind companies are going to see bidding for offshore wind solicitation as infeasible in the state.

Policy can address this issue through revising the offshore wind renewable energy certificate (OREC) system. The New Jersey Board of Public Utilities (BPU) sets a fixed, long-term (e.g., 20-year) OREC price for each awarded project. This system takes center stage in wind energy development, incentivising developers by guaranteeing a revenue stream. Recent project cancellations showed that the OREC system isn't

stabilizing projects enough. Many developers seek bigger benefits at the expense of consumers.

Conflicting state and federal directives have caused significant delays. After a federal order paused new permits, the Environmental Protection Agency (EPA) revoked a Clean Air Act permit for the Atlantic Shores project, effectively halting its construction. Additionally, legislation is needed to allow the state Board of Public Utilities (BPU) to override local ordinances and county approvals that obstruct wind power projects.

VII. CONCLUSIONS

New Jersey, if it sets these ambitious clean energy goals, needs to not just voice them but also facilitate projects that add to achieving these goals. As our state experiences an affordability crisis, it's also essential to consider whether clean energy development should be secondary to relieving short-term stress on ratepayers. Then, attention can be diverted to building clean energy projects and finding energy sources to both fill this gap and show New Jersey residents that the state is following up on its goals. Implementing these policies can aid New Jersey residents in both dealing with the short-term effects and renewable energy initiatives can stabilize the grid and ensure supply is enough to meet growing demand.

Especially with the upcoming election, better communication to clarify reasons why energy bills are rising is needed. Many ratepayers are falling for sensationalized accounts, such as the claims that renewable energy is the sole reason for the energy bill increases, which influences their

votes and misinformed decisions harm future policy. Ultimately, the issues of energy and affordability will take center stage in future New Jersey policy, making it essential to think about approaches to take.

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