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Why Are New Jersey's Electricity Bills Going Up, and What Does PJM Have To Do With It?

The primary reason your rates are going up is because of an organization you've likely never heard of: PJM.

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Energy powers our everyday life, from keeping homes warm in the winter to keeping food safe and allowing kids to study at home. But in New Jersey, electricity costs are 20 percent higher than the national average, which means low-income families often have to choose between basic needs like groceries or keeping the lights on.¹ The most cost-effective way to keep energy affordable is by expanding clean, reliable energy sources, such as solar and wind, paired with battery storage.

PJM — the grid operator named for its original member states: Pennsylvania, “Jersey,” and Maryland — manages the power grid for New Jersey and 12 other states and Washington, D.C. But PJM is stalling the transition to clean energy by delaying the connection of new renewable projects and failing to adequately plan for growing demand. These delays are contributing to rising electricity prices. As a result, starting in June 2025, New Jersey households will see their utility bills increase by more than \$20 per month.²

This explainer provides an overview of PJM's role in New Jersey's energy system, why energy prices are rising, and how key policy options and a faster transition to clean energy could protect families from even higher bills.

1. What is PJM?

PJM is the Regional Transmission Organization (RTO) responsible for managing the power grid and electricity markets in 12 states and Washington, D.C.³ PJM provides electricity to approximately 67 million people across the region and is the nation's largest RTO.⁴

As a private entity overseen by federal regulators, PJM has significant authority over the state's electricity system, yet operates with limited transparency. Its decisions influence:

- How much residents pay for electricity,

- Which energy sources supply residents' access to power, and
- How and when new energy projects connect to the electric grid.

2. How is PJM Different from Utility Companies?

In New Jersey, most residents get electricity from one of the four major utility providers: Atlantic City Electric (ACE), Jersey Central Power & Light (JCP&L), Public Service Electric & Gas (PSE&G), or Rockland Electric Company (RECO).






Unlike these companies, PJM is not a consumer-facing utility company. Instead, PJM operates at the regional level, overseeing the *generation* and *transmission* of electricity across multiple states. *Generation* refers to how electricity is produced from sources like solar or wind farms, natural gas, or coal plants. *Transmission* refers to how that electricity travels long distances from where it's generated to local utility systems. PJM manages the energy markets and plans and approves new energy infrastructure.

By contrast, utility companies are responsible for *distributing* energy to homes and businesses. They maintain local infrastructure, like wires and poles, and they handle billing and customer service. Basically, PJM handles the big picture grid and wholesale electricity markets, while your utility company delivers the power to your door.

If you look at your electric bill, you'll usually see two main charges: supply and distribution.

- Supply charges reflect the costs of the electricity itself, which is set through PJM's competitive markets. These processes are regulated by the Federal Energy Regulatory Commission, or FERC, an agency within the federal government.
- Distribution charges are the costs of getting electricity to your home, which are set by the local utility company and regulated by the New Jersey Board of Public Utilities (BPU).

Example Bill from PSE&G, A New Jersey Utility Company

Electric Service			
<div>  Details of your electric charges Your rate: Residential Service (RS) </div>			
Meter # 1000000	Usage		
Actual reading June 30, 2024	26872		
Less Actual reading June 1, 2024	26116		
Total electric you used in 29 days	756	kWh	
<div> Delivery charges Monthly service charge  \$4.95 Charges for delivering electric to you:  kWh charges For the first 600 kWh x \$0.068150 \$40.89 For the next 156 kWh x \$0.072244 \$11.27 Total electric delivery charges \$57.11 </div>			
<div> Supply charges  Cost of electric supplied by PSE&G: Charges For the first 600 kWh x \$0.150683 \$90.41 For the next 156 kWh x \$0.160256 \$25.00 Total electric supply charges \$115.41 </div>			
	Total electric charges	\$172.52	

Source: PSEG website, "Understanding Your PSE&G Bill"

Starting in June 2025, the supply portion of your bill will increase. This part of your bill is shaped by PJM’s planning decisions and market structure — not by state regulators.

3. What Does PJM Do?

PJM has three main jobs: transmission planning, managing the energy market, and managing the capacity market, giving PJM significant influence over which energy projects come online, how electricity flows across the region, and ultimately, how much consumers pay.⁵

1. Transmission Planning:

PJM oversees the planning and development of the high-voltage transmission system that carries electricity from where it's generated, like power plants and large solar fields, to where it's used, like homes and businesses. This includes planning and designing a grid that can reliably meet the region's energy needs, both now and in the future, and prepare for disruptions, such as extreme weather or equipment failures.

2. Managing the Energy Market:

PJM operates a wholesale energy market that balances electricity supply and demand in real time — day by day and hour by hour. Acting as a broker between companies that generate electricity and utility companies, PJM determines which power sources will run and how much electricity they should generate at any given time. The goal is to meet demand at the lowest possible cost while maintaining grid reliability.

3. Managing the capacity market:

To plan for future demand, PJM forecasts electricity needs for the region to ensure enough electricity is available during peak usage, such as during summer heat waves. This is done through the capacity market, where electricity suppliers participate in auctions and utilities buy as much electricity as they expect customers will need. This

system between PJM, electricity suppliers, and utilities helps maintain a reliable grid by ensuring enough power will be available when it's needed most and helps avoid price spikes due to shortages.

4. Why are Energy Bills Going Up June 2025?

The increase in energy bills beginning in June 2025 is largely driven by higher prices in PJM's capacity market. As previously mentioned, the capacity market functions like an auction where utility companies buy energy in advance to meet future demand during peak periods, such as extremely cold or hot days.

In PJM's most recent auction in early 2025, prices rose higher than expected due to a surge in projected demand. PJM attributes this increase to two main factors:

1. Rapid growth in energy use for expected data centers, and
2. A shortage of new, reliable energy projects being built and connected to the grid.⁶

According to PJM, data centers alone account for 70 percent of the projected increase in demand.⁷ But supply has not kept pace with this unexpected increase in demand. As a result, utilities paid more for future capacity, and those costs are passed on to customers.

A significant reason for this supply shortfall is PJM's own delays in connecting new energy projects to the grid. Before a new project, such as a solar or wind farm, can connect to the grid and deliver electricity, it must go through PJM's interconnection queue. This is a review process that assesses whether the project can be safely added to the grid, but in practice, this has become a major bottleneck. As of March 2025, 143 gigawatts worth of projects — including 79 projects in New Jersey — were awaiting approval in the interconnection queue, enough to power about 115 million homes.⁸ For comparison, PJM currently has about 179 gigawatts on the grid as of 2025.⁹ In 2022, PJM decided it would not review newer project applications until early 2026, and it's unlikely that projects currently applying to join the grid will come online before 2030. However, PJM's recent Resource Reliability Initiative fast-tracked primarily fossil fuel projects, even though over 95 percent of projects awaiting approval are renewable and storage projects, giving gas-powered energy an unfair advantage.¹⁰

Other regional grid operators (RTOs), like the Midcontinent Independent System Operator (MISO), engage in long-term, comprehensive planning, grouping infrastructure projects, and evaluating them based on total system benefits.¹¹ PJM has lagged in its planning and market reforms, leaving the region more vulnerable to price spikes.

Adding to the challenge is PJM's governance structure, which gives significant influence to for-profit, utility and fossil fuel companies.¹² Unlike public agencies, PJM operates largely behind

closed doors with limited transparency and few opportunities for public input or accountability. This lack of transparency makes it difficult for state governments or consumers to inform decisions that directly affect utility bills.

According to a recent analysis from Evergreen Collaborative, if PJM continues business-as-usual, New Jersey residents could see their electricity bills increase to over \$2,000 a year by 2040.¹³ However, if PJM reforms its planning and governance processes, accelerates clean energy connections to the grid, and improves transparency, New Jersey households could see up to \$405 in annual savings.¹⁴

5. How Does Clean Energy Affect Rates and Reliability?

Clean energy, especially solar and wind, helps reduce electricity costs for both utilities and consumers.¹⁵ These sources are among the cheapest forms of electricity available, in part because they run on free, renewable resources, like sunshine and wind, and they do not require fuel purchases, imports, or costly maintenance associated with fossil fuel systems. When paired with battery storage, clean energy can reliably meet demand even when it's not sunny or windy.¹⁶

States that added clean energy to their grid at the highest rates, like Iowa, New Mexico, Kansas, and Oklahoma, saw the lowest electricity rate increases between 2020 and 2023.¹⁷ Thanks to federal incentives like the Inflation Reduction Act, clean energy will become increasingly cheaper to build and operate over time. In PJM's interconnection queue, over 95 percent of pending projects are clean energy and energy storage projects.¹⁸ Delays in approving and connecting these projects are directly contributing to higher electricity bills for households and could also hinder states like New Jersey from meeting their clean energy and climate goals.¹⁹

In contrast, New Jersey continues to rely heavily on fossil fuel energy sources such as natural gas, which has become increasingly expensive and unreliable.²⁰ Natural gas plants in New Jersey require out-of-state fuel, need regular maintenance to prevent dangerous gas leaks, and often fail during extreme hot and cold weather — two major periods when customers need electricity the most.²¹ For example, during Winter Storm Elliot in 2022, natural gas plants' failures accounted for 70 percent of the forced outages in PJM territory, while wind energy production in MISO territory remained high.²²

New Jersey will need more reliable energy sources as the climate crisis continues to drive more extreme weather. Expanding clean energy, like solar and wind paired with battery storage, would provide a large supply of affordable electricity, reducing dependence on aging and unstable fossil fuel infrastructure and improving grid reliability.²³

6. How Can PJM's Decisions Affect Environmental Justice Communities?

PJM's decisions have significant implications for environmental justice (EJ) communities, which are disproportionately burdened by pollution from fossil fuel plants. In fact, a recent study by Applied Economics Clinic found that over half of PJM's fossil fuel power plants are within one mile of an EJ community.²⁴

These communities — often Black, Latinx, Indigenous, and low-income neighborhoods — have long faced the cumulative impacts of environmental harm, including higher exposure to air pollution, elevated rates of respiratory illness and cancer, and limited access to clean energy solutions. Nationally, Black and Latinx/Hispanic residents are exposed to 56 percent and 63 percent more air pollution, respectively, than they produce.²⁵

While New Jersey's landmark Environmental Justice law gives the state authority to deny new permits in overburdened areas, PJM's market structure continues to allow older, uneconomical plants to operate, prolonging pollution and public health risks.

By accelerating the integration of clean energy sources like solar and wind, PJM can reduce reliance on these aging plants and begin to remedy long-standing environmental inequities.

7. What Can be Done to Prevent Even Higher Bills and Improve the Grid?

With energy bills set to rise by over \$20 per month for the average household starting in June 2025, state lawmakers must take immediate and long-term policy actions to protect residents from future price spikes. State lawmakers should prioritize the following:

Increase Transparency and Public Oversight of PJM: State leaders should require PJM to operate with greater transparency and prioritize consumer interests. Governor Josh Shapiro and the Commonwealth of Pennsylvania sued PJM to cap prices and won, saving customers in PJM regions up to \$21 billion over the next few years.²⁶ In New Jersey, the Legislature held hearings to learn more about the cause of these rate hikes, and Governor Murphy called on the organization to take action to lower costs.²⁷ The New Jersey Division of Rate Counsel joined with Maryland and Delaware to call on FERC to require PJM to re-run the recent auction to reduce costs.²⁸ Additionally, as of early March 2025, six states plus New Jersey have introduced bills to increase PJM transparency.²⁹

Reduce Energy Demand

- *Invest in Energy Efficiency:* New Jersey should expand programs that incentivize the use of energy-efficient appliances, building retrofits, and weatherization projects to lower overall electricity consumption. New Jersey's offerings include the Comfort Partners

program, which reduces eligible residents' energy bills through better insulation at no cost, rebates for qualifying appliances, and incentives for commercial equipment upgrades.³⁰

- *Manage Data Center Growth:* PJM cites data center growth as the primary driver of the demand increase. As data centers drive new energy demand, states could explore policy models that require large energy users to directly offset their consumption with new clean energy generation. Models like New Jersey's proposed "bring your own clean energy" approach, which would require data centers to build and use clean energy sources, or California's proposed differentiated electricity rates for industrial users may offer paths forward that would ensure industrial users, not households, bear the cost of increased energy demand.³¹

Increase and Accelerate Energy Supply by Expanding DERs:

Expand Distributed Energy Resources (DERs) are small-scale projects that provide energy to customers "behind the meter," or before they interact with the larger grid.³² Encouraging investments in rooftop solar and battery storage systems can help expand local energy supply, improve reliability, and reduce overall costs without waiting for large grid-scale projects to be approved through PJM. States can remove barriers and create incentive programs to encourage customers to install solar and battery storage on their properties, helping to increase supply while reducing customers' energy bills.

Strengthen Energy Affordability and Assistance Programs

- *Defend and Expand LIHEAP and State Energy Assistance:* Building on existing programs like the Low-Income Home Energy Assistance Program (LIHEAP) can help cushion households from rising energy costs. LIHEAP provides federal funding to states to help low-income households with utility bills and energy-related repairs, and New Jersey's LIHEAP program can provide up to \$1,278 to eligible residents.³³ But the federal government is also considering cutting LIHEAP program funding, leaving states to either step up to fill the shortfall or be forced to cut people from the program. States can also consider complementary programs that provide targeted assistance to low-income populations.
- *Grow Community Solar Programs:* Expanding access to community solar programs enables households, especially renters and lower-income families, to benefit from clean energy savings without needing individual installations. New Jersey's landmark Community Solar program provides a discount on electricity bills.³⁴ The program allows customers who can't build their own solar projects to still reap the benefits of clean energy while saving money.

- *Create Consumer Energy Relief Funds:* New Jersey can evaluate innovative funding approaches, such as using proceeds from climate programs or penalties from utilities that do not meet clean energy targets, to establish consumer assistance funds. For example, Delaware has proposed creating an energy fund to help consumers whose annual household income is less than 350% of the federal poverty level, or \$112,525 for a family of four.³⁵ Similarly, Maryland has a proposal that would create an “energy hardship credit,” funded by payments from utility companies that don’t meet clean energy targets.³⁶ Finally, Washington proposed establishing a statewide low-income energy assistance program funded by proceeds from the state’s cap-and-invest auction revenues.³⁷
- *Expand Utility Shutoff Protections:* New Jersey protects customers from having their utilities shut off during the winter months under the Winter Termination Program.³⁸ However, that protection is only during the winter months and for people with medical conditions. Expanding shutoff prevention programs to include times of extreme heat will help residents as the climate crisis increases temperatures and threatens public health.³⁹

Conclusion

PJM must do better — and it can.

Adding more clean energy to the grid is one of the most effective ways to lower costs for ratepayers and improve grid reliability across the PJM region. However, achieving that goal will require greater transparency in PJM’s decision-making and meaningful reforms to its planning and interconnection processes so that new energy projects can come online faster.

State lawmakers also have a critical role to play. By advancing policies that promote energy efficiency, strengthen consumer support programs, and manage demand from large energy users like data centers, New Jersey can help build an energy system that is more affordable, resilient, and equitable. With cleaner, more stable sources of power, the state can not only meet its climate goals but also protect residents from rising energy costs and ensure that no community is left behind.

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