AMERICAN ECONOMIC LIBERTIES PROJECT

Issue Brief:

How Congress and States Should Respond to Electricity Price Spikes Due to the Iran War

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While some fuel-related impacts of the Iran War — such as the price we are paying at the gasoline pump — are already visible, others, such as the impact on residential customers' electric bills, may still be months away, particularly for customers in the Northeast. In 2025, New England generated 55% of its electricity from gas. During the winter months, liquefied natural gas (LNG) often sets regional prices in New England because it acts as the marginal source of supply when the pipeline is constrained. While the United States as a whole imports less than an average of 0.1 billion cubic feet per day a year of LNG, almost all of those imports flow into New England between November and March each winter season.

Twenty percent of global LNG production sits behind the Strait of Hormuz, which is currently closed due to the Iran War. Additionally, major LNG infrastructure in the region has been damaged, severely curtailing supply.[1] Analysts warn that a prolonged disruption could trigger a supply squeeze comparable to the 2022 shock following Russia's invasion of Ukraine. Due to the timing of the utility's procurements in New England, supply rates are likely to increase heading into the 2026-2027 winter season. Four New England states have upcoming auctions to procure default electric supply over the next quarter.

This issue brief explains why the Iran War threatens to cause severe electricity spikes by explaining the link between natural gas and electricity markets; the immediate threats from the ongoing war to utility procurements; and vulnerabilities in the Northeast region. The brief also points to lessons that elected officials and policymakers can draw from the aftermath of Russia's invasion of Ukraine, in terms of electricity price impacts, especially

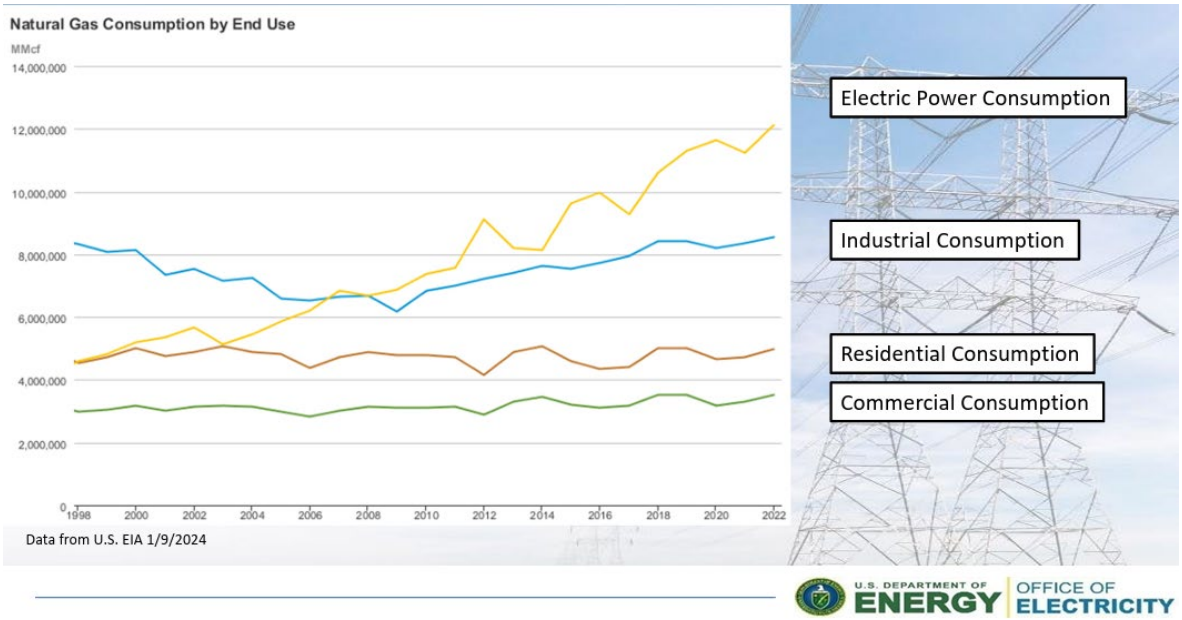
1 Jaroslav Lukiv and Chris Graham, "Trump threatens to blow up 'entirety' of major Iran gas field if it attacks Qatar again," BBC, March 19, 2026, https://www.bbc.com/news/articles/c93j37egjdeo.

during the 2022-2023 winter period, and outlines policy actions to protect consumers who are already suffering from high utility bills.

THE CONNECTION BETWEEN NATURAL GAS AND ELECTRICITY

Across the United States, the wholesale price of electricity reflects two primary components: (1) the day-ahead and (2) real-time cost for supplying electricity. Both of these can be driven by fluctuations in demand for electricity as well as costs for the fuel used to generate the electricity. Because natural gas sets the marginal price of electricity during most hours in most regional markets, changes in the fuel cost of natural gas therefore have an outsized influence on the wholesale price of electricity.[2]

According to data from the U.S. Energy Information Administration (EIA), natural gas consumption for the end use of electric power generation has steadily increased over the past few decades.



SOURCE: U.S. EIA, JAN. 9, 2024, AVAILABLE AT: NATURAL GAS AND ELECTRICITY INTERDEPENDENCY.

2 U.S. Energy Information Administration, "U.S. wholesale day-ahead electricity prices rose in 2025 with higher natural gas prices," Today in Energy, Feb. 2, 2026, https://www.eia.gov/todayinenergy/detail.php?id=67106.

Most parts of the country, except for the Central and Western regions, saw an increase in natural gas generation in 2025 compared to the previous year.[3] The regions most dependent on natural gas for electricity generation, such as the Northeast, routinely experience some of the highest increases in retail electricity prices due to disruptions in the global markets since these states are most exposed to gas market volatility.[4] Conversely, regions with more fuel diversity (i.e., those that rely on a multitude of generation resources) or extensive financial hedging practices may experience more muted effects on electricity prices from disruptions to the global natural gas market.

THREAT ANALYSIS: THE 2026 IRAN WAR AND IMPENDING RATE SHOCK FOR NEW ENGLAND

To understand the potential rate shock New England faces from the current Iran War, policymakers must examine the structural vulnerabilities exposed during the 2022 global energy crisis.

RETROSPECTIVE: 2022-2023 NEW ENGLAND SUPPLY PRICES

With the exception of Vermont, the New England states acted in the late 1990s and early 2000s to "de-regulate" their electricity markets — ordering the regulated utilities to divest their generation assets and become "wires-only" companies. As a result, most New England customers can choose to either source their electricity supply from a third-party retail supplier (although the utility still delivers it) or from the default electricity supply service provided by their electric distribution company (EDC — their utility). While the number of customers who choose to shop for a third-party supplier varies year to year, residential customers often elect to receive default supply service from their utility; in Connecticut, for example, only 18% of residential customers were enrolled with retail suppliers at year-end 2024.[5]

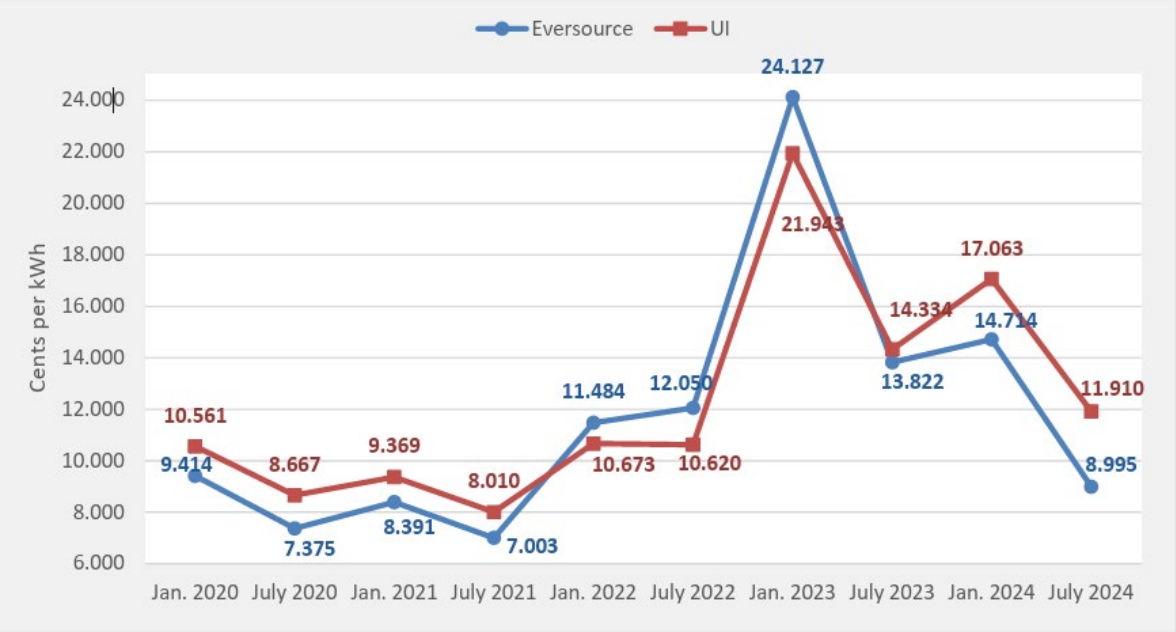
While the default supply service procured by the EDCs on customers' behalf has produced stable prices over the decades — often lower than competitive retail supplier rates — this changed dramatically in the winter season following the Russian invasion of Ukraine. In 2022, the price of natural gas rose sharply, bringing the price of electricity in the ISO New

3 U.S. Energy Information Administration, "Resource Use: December 2025," Electricity Monthly Update, Feb. 24, 2026, https://www.eia.gov/electricity/monthly/update/resource-use.php.

4 Ryan Wiser, Eric O'Shaughnessy, Galen Barbose, Peter Cappers, and Will Gorman, "Factors influencing recent trends in retail electricity prices in the United States," The Electricity Journal, Volume 38, Issue 4, October 2025.

5 "Annual Report to the Legislature – The State of Electric Competition," Connecticut Public Utilities Regulatory Authority, March 31, 2025, 24-11-01 Legislative Report.pdf.

England wholesale markets along with it. As a result, for the first half of 2023, the price of default supply service in Connecticut doubled for residential customers of the state's two large electric utilities when compared to the prior six-month period.



SOURCE: CONNECTICUT PURA 2024 LEGISLATIVE REPORT, MARCH 31, 2025, AVAILABLE AT: 24-11-01 LEGISLATIVE REPORT.PDF.

WHY WAS THERE A LAG IN THE IMPACT TO RATES FOLLOWING RUSSIA'S INVASION OF UKRAINE? HOW DO PROCUREMENT TIMELINES INFLUENCE THE OUTCOME?

Customers — especially residential and small businesses — do not necessarily experience daily price fluctuations in the electricity market as they are not typically exposed to real-time market prices; instead, these customers generally pay prices based on seasonal averages.[6] This can lead to the delayed impact of fuel cost increases on customers' monthly electricity bills, particularly in regions where the utility procures default supply service on behalf of customers through competitive wholesale auctions. In other regions, changes in commodity prices are passed on to the consumer as a separate charge on the bill, often referred to as a "fuel adjustment clause," which can occur on different timelines.

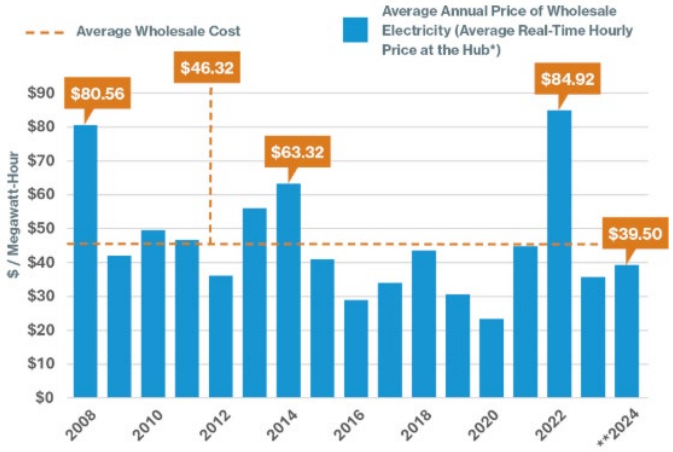
The process used by New England utilities to procure the default supply service on behalf of customers varies by state, but most jurisdictions procure the supply obligations up to one

6 U.S. Energy Information Administration, "U.S. wholesale day-ahead electricity prices rose in 2025 with higher natural gas prices." Today in Energy (Feb. 2, 2026), https://www.eia.gov/todayinenergy/detail.php?id=67106.

year ahead of time through semi-annual or quarterly auctions.[7] Several jurisdictions allow a "laddering" approach, where they can purchase tranches to fulfill the projected supply needs over the course of several auctions, but none currently allow for contract terms more than 24 months (six months is the norm).[8] Compare and contrast this to the approach used by the Connecticut Municipal Electric Energy Cooperative (CMEEC), for example, which relies on a portfolio of short-, intermediate-, and long-term power procurements not to exceed five years and trades daily, weekly, monthly, and annually in ISO New England's forward energy market; CMEEC asserted that its diversified hedging strategy protected its customers from price spikes due to the Russian invasion of Ukraine.[9]

WILL THIS REPEAT IN NEW ENGLAND FOLLOWING THE IRAN WAR? WILL THE IMPACT BE FELT BEFORE THE 2026 ELECTION CYCLE?

ISO New England confirms that fuel costs remain a key driver of electric prices for the region. Historical data indicates that the average annual price of wholesale electricity in 2022, for example, spiked to $84.92 per MWh following Russia's invasion of Ukraine — the highest average annual price reported in almost two decades.[10]



** The Hub is a collection of 32 locations in New England used to represent an uncongested price for electric energy.*

*** 2024 data are subject to adjustments.*

SOURCE: ISO NEW ENGLAND, AVAILABLE AT: NEW ENGLAND REGIONAL PROFILE.

7 "PURA Investigation into Distribution System Planning of the Electric Distribution Companies – Building Blocks of Resource Adequacy and Clean Electric Supply," Connecticut Public Utilities Regulatory Authority (Feb. 1, 2024), 17-12-03RE10_Final Legislative Report.pdf.

8 *Id.*, p. 12.

9 *Id.*, p. 21.

10 "2025 New England Power Grid Regional Profile," ISO New England, last visited March 15, 2026, https://www.iso-ne.com/about/government-industry-affairs/new-england-regional-profile.

Thus, with New England's continued reliance on LNG (and oil during cold snaps) for electric generation, the region continues to be exposed to global market disruptions like those due to the Iran War. With 20% of global LNG production sitting behind the Strait of Hormuz (currently closed due to the Iran War), analysts warn that "a prolonged disruption could trigger a supply squeeze comparable to the 2022 shock following Russia's invasion of Ukraine."[11]

Based on publicly available information, four New England states have upcoming auctions to procure default supply service for residential and small commercial customers. Connecticut routinely holds its auction in April; Massachusetts in May; New Hampshire in June; and Rhode Island, "quarterly."[12] Maine currently[13] only procures once per year, in mid-November, for its residential customers, so it may be relatively insulated depending on the length of current disruptions to the global energy markets.

Consequently, due to the timing of the procurements (occurring after the current disruption to the global gas markets), New England supply rates are likely to increase heading into the 2026-2027 winter season, with most states announcing their price changes between 45 and 60 days ahead of time. For example, Connecticut announces its change in the default supply rate between Nov. 1 and 15, for rates effective Jan. 1 to June 30.

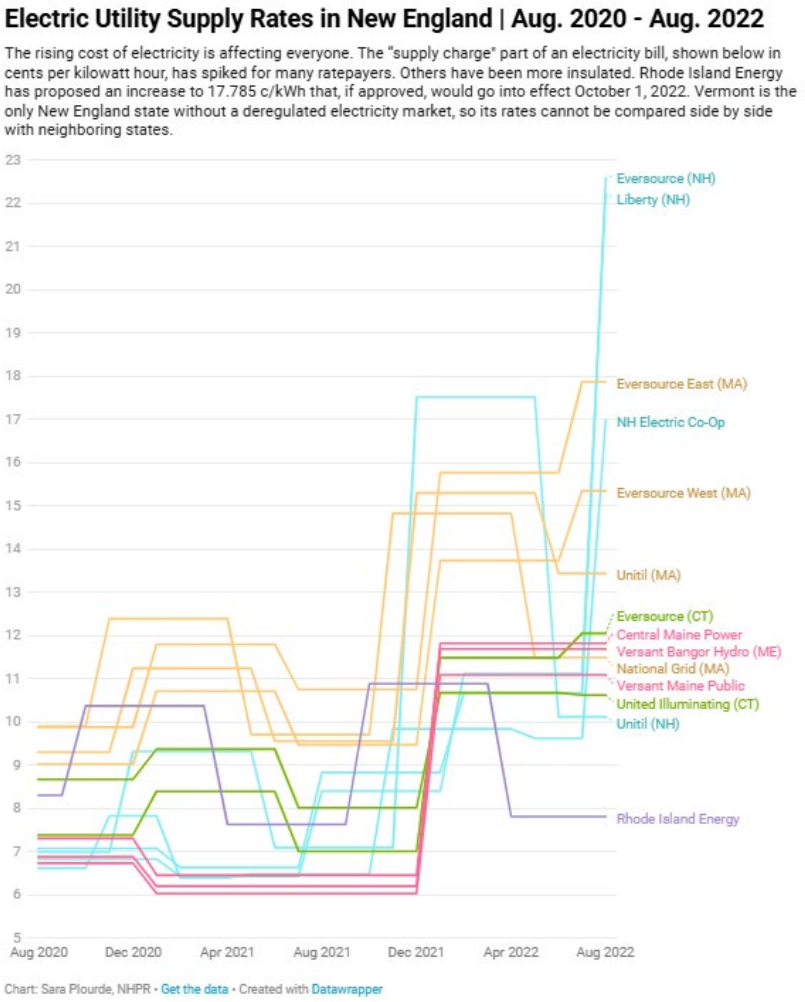
The impacts may be felt sooner or later for other New England states depending on their procurement timelines, and the magnitude of impact may vary too. Based on historical data following the 2022 Russia invasion of Ukraine, for example, states like New Hampshire — which procured most of their supply needs for the delivery window after the global market disruption and also did not allow laddering (i.e., the blending of prices from earlier auction cycles) — may experience impacts from the Iran War sooner than surrounding states. New Hampshire has made some adjustments to its procurement processes in the intervening years, however, so it remains to be seen whether the impacts from the current global market disruptions will be mitigated or more pronounced. The amended process allows the

11 Hugh Leask, "Middle East war sends natural gas prices soaring, raising growth shock risk for Europe and Asia," CNBC Europe News, March 3, 2026, https://www.cnbc.com/2026/03/03/middle-east-war-gas-energy-lng-drone-qatar-strait-hormuz-price-shock.html?msockid=016660e32270694f1c027695239468a8.

12 "PURA Investigation into Distribution System Planning of the Electric Distribution Companies – Building Blocks of Resource Adequacy and Clean Electric Supply," Connecticut Public Utilities Regulatory Authority, Feb. 1, 2024, 17-12-03RE10_Final Legislative Report.pdf.

13 In Maine, legislation (ME S.P. 248 - L.D. 568) was enacted on June 9, 2025, directing its PUC to evaluate and potentially modify how default supply service is procured. Its PUC was ordered to submit a report to the legislature with its findings by Jan. 2, 2026.

New Hampshire utilities to buy some of their power in a shorter-term spot market[14] rather than locking in contracts for all of the electricity for six months.[15]



SOURCE: MIRIAM WASSER AND MARA HOPLAMAZIAN, "WHY ELECTRICITY PRICES ARE RISING UNEVENLY ACROSS NEW ENGLAND," NEW HAMPSHIRE PUBLIC RADIO, SEPT. 8, 2022, HTTPS://WWW.NEPM.ORG/2022-09-08/WHY-ELECTRICITY-PRICES-ARE-RISING-UNEVENLY-ACROSS-NEW-ENGLAND.

14 The spot market refers to the competitive energy markets administered by ISO-NE where wholesale energy is bought and sold. In the Day-Ahead Energy Market, a clearing price is determined hourly for each hour of the subsequent day, while during the subsequent day, spot prices can vary every five minutes through the Real-Time Energy Market. "How Resources Are Selected and Prices Are Set in the Wholesale Energy Markets," ISO New England, last visited March 20, 2026, https://www.iso-ne.com/about/what-we-do/how-resources-are-selected-and-prices-are-set.

15 Mara Hoplamazian, "NH electric bills could go down in February. But a new process to set rates attracts concerns," NHPR, Dec. 20, 2024, https://www.nhpr.org/nh-news/2024-12-20/nh-electric-bills-could-go-down-in-february-but-a-new-process-to-set-rates-attracts-concern.

REGIONAL FRAGILITY

While global market disruptions affect the entire nation, New England's electricity prices are uniquely tied to its precarious fuel mix and specialized infrastructure. The region's over-reliance on natural gas is compounded by the fact that it must compete with heating demand for limited pipeline space, forcing a high dependency on the Everett LNG terminal to meet winter energy needs.

VULNERABILITIES OF NEW ENGLAND SUPPLY MIX

In 2025, New England generated 55% of its electricity from gas, followed by nuclear at 25%.[16] Complicating this dynamic is the fact that 40% of New England homes rely on natural gas for heating.[17] This is a complicating factor because the already limited pipeline capacity is reserved for heating needs through something called a "firm contract" (which gives heating loads priority access), whereas the natural gas used to generate electricity is primarily sourced from spot markets and LNG imports — particularly during the coldest days of the year.

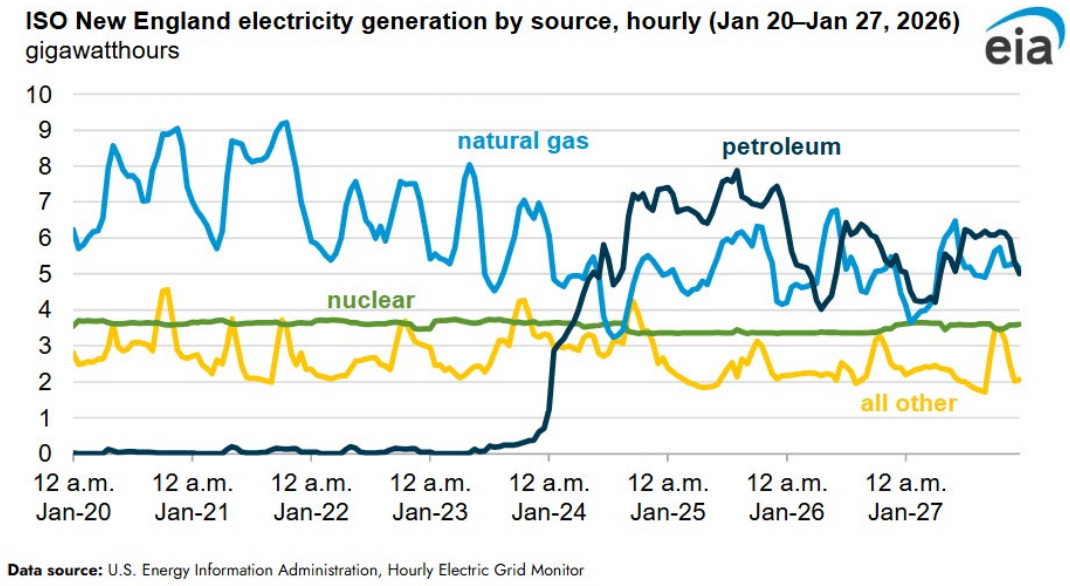
During the winter months, LNG often sets regional prices in New England because it acts as the marginal source of supply when the pipeline is constrained (due to the priority access of heating customers). There is limited interstate pipeline capacity to bring gas from producing regions into New England; thus, when the pipeline capacity is maxed out during peak winter demand, LNG imports (or oil) become the only flexible source.

Indeed, due to the extreme cold snap in New England during late January 2026, oil became the predominant energy source for electricity in New England — overtaking natural gas — due to the severe natural gas constraints. Available data indicates that at its peak between Jan. 25 and 26, oil-fired generation reached nearly 8 GW, compared to total regional generating capacity of approximately 35.5 GW.[18]

16 ISO New England, "Resource Mix," Jan. 28, 2026, https://www.iso-ne.com/about/key-stats/resource-mix.

17 U.S. Energy Information Administration, "Annual household site fuel consumption in U.S. homes by state – totals and averages, 2020," March 2023, https://www.eia.gov/consumption/residential/data/2020/state/pdf/State consumption.pdf.

18 U.S. Energy Information Administration, "Petroleum electricity generation surpassed natural gas in New England during winter storm," Jan. 29, 2026, https://www.eia.gov/todayinenergy/detail.php?id=67104.



SOURCE: U.S. EIA, HOURLY ELECTRIC GRID MONITOR, JAN. 29, 2026, AVAILABLE AT: HTTPS://WWW.EIA.GOV/TODAYINENERGY/DETAIL.PHP?ID=67104.

IS ANYTHING DIFFERENT NOW THAN DURING THE 2022-2023 WINTER?

Some things have changed, but the region's overall reliance on natural gas-fired electricity generation has actually increased since the 2022-2023 winter. The continued overall lack of fuel diversity in the Northeast, coupled with limited pipeline capacity, means that the region remains exposed to gas market volatility and global supply disruptions for at least the immediate future.

In the years since the Russian invasion of Ukraine, the New England Clean Energy Connect (NECEC) transmission project came online, which is designed to connect 1,200 MW of Canadian hydropower into the New England electric grid.[19] The transmission line can transport enough electricity to meet nearly 20% of Massachusetts' electricity demand,[20] lessening the region's reliance on natural gas to some degree.

Offshore wind projects, like Revolution Wind (704 MW) and Vineyard Wind 1 (806 MW), are also now online, after facing numerous delays and work-stop orders imposed by the

19 New England Clean Energy Connect, "Who We Are," last visited March 15, 2026, https://www.necleanenergyconnect.org/about-the-project.

20 Governor Maura Healey, "Governor Healey Celebrates Completion of NECEC Transmission Line," Press Release, Jan. 16, 2026, https://www.mass.gov/news/governor-healey-celebrates-completion-of-necec-transmission-line.

Trump administration.[21] Revolution Wind alone is capable of powering the equivalent of 350,000 homes, or 2.5% of New England's electric supply.[22] The increased fuel diversity is positive for the region; however, construction delays impacted both projects' ability to assist during the recent January cold snap.

MASSACHUSETTS EVERETT LNG TERMINAL UPDATE: A SINGLE POINT OF FAILURE

On May 31, 2024, the Mystic Generating Station retired, which was consequential due to its status as the main buyer of LNG from the Massachusetts Everett terminal.[23] Constellation Energy, the terminal's owner, announced plans to shut down the Everett terminal as a result, but policymakers intervened due to the winter gas supply risks for New England. To prevent closure, several utilities negotiated six-year contracts (approved by Massachusetts regulators in 2024) to keep the Everett LNG terminal operational through winter 2029-2030.[24] This action was viewed as critical, since in 2023, all LNG imports delivered by ship into New England went through the Everett terminal.

While the United States as a whole imports less than an average of 0.1 billion cubic feet per day a year of LNG, almost all of those imports flow into New England between November and March each winter season — and exclusively through the Everett terminal following the winter of 2021-2022.[25]

IMPACT OF THE MERCHANT MARINE ACT OF 1920

THE "JONES ACT" BASICS AND ITS CONNECTION TO LNG

While the Merchant Marine Act of 1920, commonly known as the Jones Act, has many sections, at its core the law aims to protect the American shipping sector by requiring goods transported between U.S. ports to be moved on U.S.-flagged vessels.[26] Critics of the

21 Aine Pennello, "Revolution Wind, a key offshore wind project and object of scorn for Trump admin, comes online," Connecticut Public Radio, March 14, 2026, https://www.ctpublic.org/news/2026-03-13/revolution-wind-comes-online-new-england-power-grid.

22 *Id.*

23 U.S. Energy Information Administration, "New England utility closes import-dependent gas-fired power plant, keeps LNG import option," June 24, 2024, https://www.eia.gov/todayinenergy/detail.php?id=62404.

24 *Id.*

25 *Id.*

26 Wyatte Grantham-Philips, "What to know about the Jones Act as Trump considers a waiver during the Iran War," AP News, March 13, 2026, https://apnews.com/article/jones-act-trump-trade-abcac596db839bff3679b3117d2e81b2.

law argue that it slows the delivery of goods, especially during times of crisis, and that it makes gas more expensive.

By restricting the types of ships that may transport products between U.S. ports, the Jones Act also effectively precludes all U.S.-exported LNG from being delivered into New England. For a region that relies heavily on imported LNG to keep the lights on and homes heated during the coldest days of winter, this delivery restriction effectively imposed by the Jones Act exposes New England to global LNG price spikes in an outsized way compared to the rest of the U.S. mainland.

THE 2022 WAIVER REQUESTS

In July 2022, all six New England governors sent a letter to then-U.S. Energy Secretary Jennifer Granholm asking that the federal government begin "to explore the conditions under which it might be appropriate to suspend the Jones Act" for some or all of the upcoming winter period.[27] The suspension would have allowed foreign-flagged tankers to transport U.S. LNG from the Gulf Coast to New England ports for the winter of 2022-2023. In their letter, the New England governors noted that global LNG prices had increased by almost 300% following the Russian invasion of Ukraine.[28]

In the following months, the temporary waiver request and concerns regarding winter reliability risks were echoed by ISO New England (the regional grid operator), a CEO of a major regional utility, and a coalition of U.S. senators from Connecticut, Maine, and Vermont.[29]

Pushback to the waiver request emerged, however, with the American Maritime Partnership asserting that "blaming the Jones Act for this situation is misdirected," pointing instead to factors like a lack of LNG storage capacity in New England.[30]

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27 Governor Charles D. Baker (Massachusetts), Governor Ned Lamont (Connecticut), Governor Janet T. Mills (Maine), Governor Christopher T. Sununu (New Hampshire), Governor Daniel J. McKee (Rhode Island), and Governor Philip B. Scott (Vermont), "Letter to U.S. DOE Secretary Granholm," July 27, 2022, https://www.governor.nh.gov/sites/g/files/ehbemt336/files/inline-documents/sonh/july-2022-governors-letter.pdf.

28 *Id.*

29 Stephen Singer, "Senators press DOE's Granholm to help New England avoid major power disruptions, price spikes this winter," UtilityDive, Nov. 30, 2022, https://www.utilitydive.com/news/new-england-senators-DOE-granholm-winter-reliability-gas/637545/.

30 Rich Miller, "AMP to New England governors: No blanket Jones Act waivers," Professional Mariner Journal, Nov. 29, 2022, https://professionalmariner.com/amp-to-new-england-governors-no-jones-act-waivers/.

OUTCOME OF THE 2022 WAIVER REQUESTS

No waiver was granted. Secretary Granholm met with the New England governors in September 2022 on the topic of ensuring adequate supplies of electricity and heating fuels, but made no specific commitments related to the Jones Act.[31]

Of note is that the U.S. DOE lacks unilateral authority to grant a waiver, and could only make recommendations on this issue for consideration by the U.S. Department of Homeland Security.[32]

PREVIOUS TEMPORARY WAIVERS OF THE JONES ACT

Over the past two decades, some limited/targeted waivers of the Jones Act have been authorized, almost exclusively following major hurricanes.[33] One non-major disaster waiver was authorized by the Obama administration following the 2011 Libyan Crisis.[34]

POTENTIAL FOR FUTURE TEMPORARY WAIVERS

In the National Defense Authorization Act for Fiscal Year 2023, Congress enacted several amendments that make it more challenging to grant approval of Jones Act waivers, including: (1) the requirement for a U.S. vessel availability survey; (2) a 48-hour waiting period; (3) prohibition on using a previous U.S. vessel availability survey; and (4) a prohibition on waivers once a vessel for which the waiver is proposed is already underway. The U.S. Secretary of Defense can only grant a waiver "if it is considered necessary in the interest of national defense" and must submit a written explanation of the circumstances — including a confirmation of insufficient qualified vessels to meet the needs of national defense — to Congress within 24 hours.[35]

CURRENT SITUATION

On Wednesday, March 18, 2026, the Trump administration announced a 60-day waiver of the Jones Act as "another step to mitigate the short-term disruptions to the oil market."[36] Estimates vary, however, on whether a waiver will have a meaningful impact on gas and

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31 Timothy Gardner, "U.S. energy chief Granholm meets with New England governors on fuel supplies," Reuters, Sept. 15, 2022, https://www.reuters.com/business/energy/us-energy-chief-granholm-meets-with-new-england-governors-fuel-supplies-2022-09-16/.

32 46 U.S.C. § 501, 46 USC 501: Waiver of navigation and vessel-inspection laws.

33 "Waivers of Jones Act Shipping Requirements," Congressional Research Service, Sept. 29, 2017, https://www.congress.gov/crs-product/IN10790.

34 *Id.*

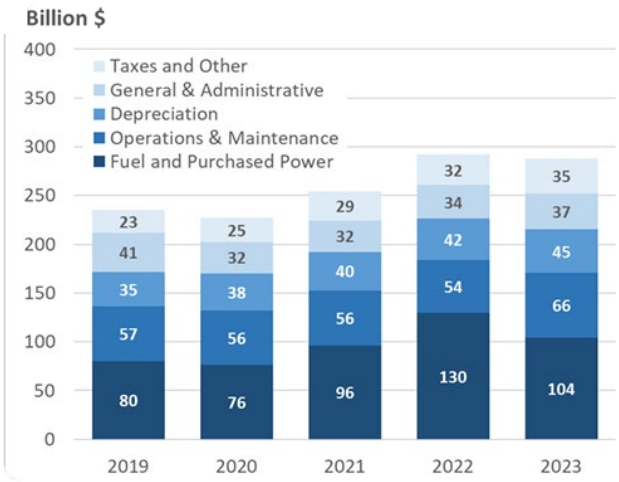
35 46 U.S.C. § 501, 46 USC 501: Waiver of navigation and vessel-inspection laws.

36 Evan Halper, "Oil prices spiral again as White House moves make little impact," Washington Post, March 18, 2026, https://www.washingtonpost.com/business/2026/03/18/oil-jones-act-trump-iran/.

energy prices, with some projecting an impact to retail gas prices of less than 2 cents a gallon,[37] and in the immediate aftermath of the waiver announcement, oil prices continued their upward spiral, topping nearly $110 for a barrel of crude.[38] The U.S. shipping industry responded to the announcement by warning it may be illegal and reiterating that the waiver will harm American workers and American companies while impacting the cost of gasoline nationwide by less than one penny per gallon.[39]

IMPACTS TO OTHER U.S. REGIONS

As discussed in previous sections, the effect of gas prices on fuel and purchased power prices varies depending on the region's reliance on natural gas-fired generation. A 2024 update released jointly by the Lawrence Berkeley National Laboratory and the National Renewable Energy Laboratory concluded that fuel diversification and financial hedging strategies had a muting effect on the impact of natural gas price spikes, while also acknowledging that utilities' fuel and purchased power expense remains the largest expense category for major U.S. investor-owned electric utilities.[40]



Notes: Data are from FERC Form 1, as summarized in EIA's Electric Power Annual (https://www.eia.gov/electricity/annual/html/epa_08_03.html).
Various expense categories are consolidated for the purpose of this figure.

SOURCE: LBNL AND NREL DECEMBER 2024 UPDATE, SLIDE 17, AVAILABLE AT: RETAIL_PRICE_AND_COST_TRENDS_2024_UPDATE_FINAL_V3.PDF.

37 Joseph Zeballos-Roig, "Trump is eyeing changes to an obscure law to slow soaring gas prices. It won't help much," Quartz, March 14, 2026, https://qz.com/jones-act-trump-gas-prices.

38 Evan Halper, "Oil prices spiral again as White House moves make little impact," Washington Post, March 18, 2026, https://www.washingtonpost.com/business/2026/03/18/oil-jones-act-trump-iran/.

39 *Id.*

40 Sydney Forrester, Andrew Satchwell, Galen Barbose, Evan Cappers, Cesca Miller, and Andrew Alberg, "Retail Electricity Price and Cost Trends," LBNL and NREL, December 2024, https://eta-publications.lbl.gov/sites/default/files/2025-01/retail_price_and_cost_trends_2024_update_final_v3.pdf.

In vertically integrated states where the regulated utility owns generation, fuel costs are generally passed through to customers via a mechanism called a fuel adjustment clause. This mechanism insulates the utility from risk if it spends more than expected on fuel by allowing the utility to recover from customers the difference between expected fuel costs built into customer rates and actual fuel costs. These fuel adjustment clauses can result in dramatic and unexpected price increases for customers in periods of high gas volatility, particularly in regions that rely heavily on natural gas-fired generation.

POLICY RECOMMENDATIONS

Many options that would insulate regions, especially the Northeast, from the impact of global gas market volatility are medium- to long-term activities that would not be implemented in time to mitigate the outcome of higher supply prices for customers next winter. These options include, but are not limited to, measures such as additional fuel diversification, or studying and implementing targeted changes to supply procurement strategies. Indeed, while states like Connecticut[41] and Maine[42] passed legislation to study changes to their default supply procurement process following the 2022-2023 winter season, the implementation of these changes remains underway and it remains questionable whether any changes would take effect in time to substantially impact the 2026-2027 winter season.

NEAR-TERM FEDERAL ACTIONS

Prioritize Additional Funding for LIHEAP in the 2026-2027 Winter Period

At the federal level, prioritizing additional Low-Income Home Energy Assistance Program (LIHEAP) funding for the 2026-2027 winter season would be particularly effective, especially since the impacts described in this issue brief are likely to extend to delivered fuels, which LIHEAP can assist with.

41 See Connecticut Public Act 25-173, An Act Concerning Energy Affordability, Access and Accountability, Section 31, 2025PA-00173-R00SB-00004-PA.pdf.

42 ME S.P. 248 - L.D. 568.

NEAR-TERM STATE ACTIONS

Consider Options for Non-Ratepayer-Funded Rate Relief to Take Effect with Changes in Supply Rates

Governors and elected officials may consider preparing options for rate offsets to take effect during the next winter season (2026-2027) to coincide with changes to the default supply rate, preferably using non-ratepayer sources of funding. New Jersey Governor Mikie Sherrill, for example, has directed the NJ Board of Public Utilities to identify funding sources to provide additional future electricity bill relief.[43]

In Vertically Integrated States, Consider Legislative Reform to Fuel Adjustment Clauses Now

Utilities spent $71 billion on fuel costs for electricity generation in 2024 alone, rendering any incentive for utilities to spend less on fuel as an opportunity to provide substantial savings to customers.[44] The Rocky Mountain Institute (RMI) reports that, as of 2025, nine states (Hawaii, Idaho, Missouri, Montana, Oregon, Vermont, Washington, Wisconsin, and Wyoming) utilize a fuel-cost sharing mechanism for their electric utilities. Other state legislatures with vertically integrated utilities should waste no time in implementing similar mechanisms, which can be customized along dimensions such as the level of cost sharing between the utility and its customers, among other options.

Whether or not such fuel cost-sharing mechanisms can be enacted in time to blunt the impact of the current global gas market disruptions on customer bills, the policy would pay dividends in the future by incentivizing utilities to manage their consistently single largest expense category in a way aligned with the best interest of their customers. North Carolina customers, for example, could have realized $89 million in cumulative bill savings over the period of 2020-2024 had a fuel cost-sharing mechanism been in place, in lieu of the current policy of utilities passing through 100% of fuel costs directly to customers.[45]

43 "Governor Sherrill Presents Fiscal Year 2027 Budget," March 10, 2026, https://www.nj.gov/governor/news/2026/20260310b.shtml.

44 "Fuel-cost sharing," RMI, Sept. 21, 2025, https://affordability-toolkit.rmi.org/policies/fuel-cost-sharing.

45 Xavier Zheng, Oliver Tully, and Joe Daniel, "How Fuel Cost-Sharing Can Deliver Savings for Utility Customers," RMI, Feb. 26, 2026, https://rmi.org/how-fuel-cost-sharing-can-deliver-savings-for-utility-customers/.

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