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OVERCHARGED

Suppliers' Retail Premiums are Inflating Massachusetts Electric Bills

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All errors and/or omissions in this report are Synapse's own.

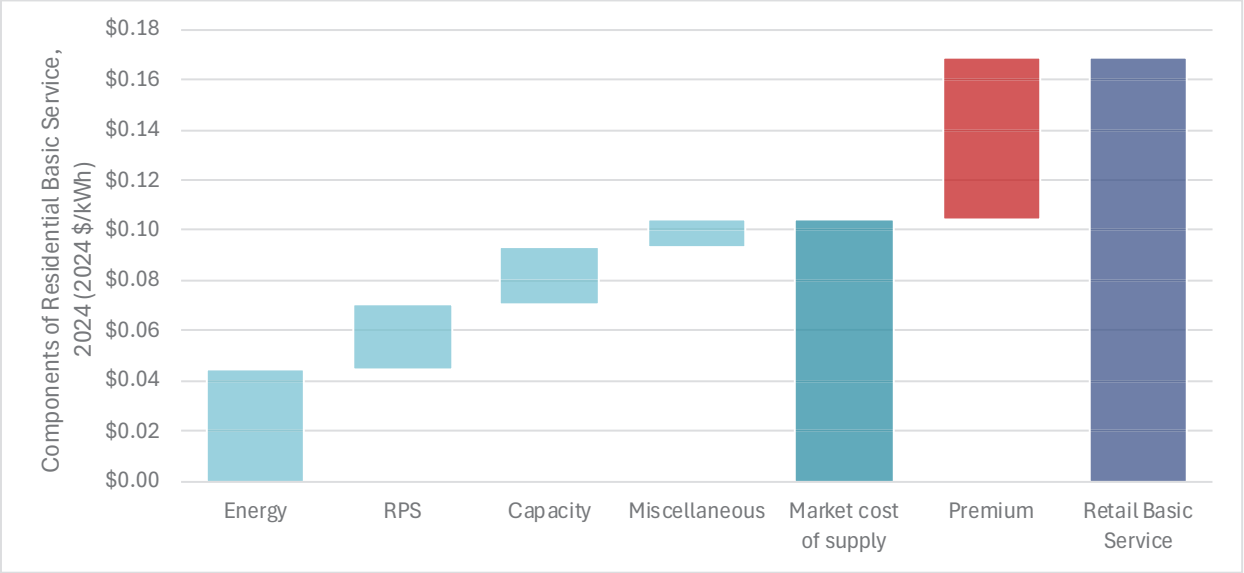
EXECUTIVE SUMMARY

Massachusetts customers are overpaying for electricity. Through a combination of stale policy, opaque and insufficient competition, and an overreliance on price-volatile natural gas, customers have been paying a premium for electricity.

Electric bills include more than the cost of electricity itself. While many of these costs are necessary to get electricity to homes and businesses, or are associated with state policies, most Massachusetts customers are not aware of a hidden cost on their electric bills. Buried within the electricity supply cost is a large "retail premium"—a markup on the actual cost of electricity. In recent years, this retail premium cost many electricity consumers even more than the price of the energy itself (see Figure 1).

Over the past ten years, for residential Basic Service customers, this premium has translated into a markup of 43 percent on top of the actual market cost of electricity supply. Between 2015 and 2024, we find that these customers paid $3.4 billion more than ISO New England's market cost, translating into concealed premiums of $22 per month. At a time when electricity prices in New England are high and rising, affordability is on the minds of many consumers and policymakers. Consumers deserve a system that better reflects the real cost of procuring electricity.

Figure 1. Average cost of supply and Basic Service rate components for residential customers, 2024



Note: Energy, RPS, capacity, and miscellaneous costs are calculated based on actual market costs. Premiums are calculated by subtracting the sum of energy, RPS, capacity, and miscellaneous costs from Retail Basic Service prices. See Table 2 in Chapter 2 for a detailed methodology of how these costs were compiled.

In Massachusetts, consumers can choose to buy their electricity supply through their local electric utility, directly from a competitive supplier, or in many areas, a community aggregation program. When households or small businesses buy electricity through the utility, it is called Basic Service, which as of

2024 supplied 35 percent of households. The utilities, in turn, procure electricity from companies called "suppliers" that act as intermediaries between the utilities and New England power generators.

Customer bills distinguish between supply and delivery charges. The supply component, on which the utilities do not earn a profit, includes the costs of energy generation, generating capacity, and renewable energy certificates, among others. In recent years, the supply component has represented 40–50 percent of residential electricity bills in Massachusetts.[1]

Suppliers set their pricing bids in six-month blocks, but the cost of electricity on the wholesale market can change daily, depending on the price of natural gas, variations in wind and solar generation, and energy demand, among other factors. Suppliers set the electricity price based on estimates of future costs, adding a premium to hedge against market volatility.

In a well-functioning system, that premium will be small, a reasonable trade-off for consumers to avoid uncertainty by locking in a price. However, in practice, in the past five years, the median monthly retail price premium was 49 percent. In other words, if the actual cost of electricity supply was 12 cents per kWh, Basic Service customers paid nearly 18 cents. In the 120 months from January 2015 to December 2024, customers paid above-market market prices in 88 percent of months.

By comparing Basic Service rates with ground-up estimates of actual market supply costs, we found:

- From 2015 through 2024, hidden retail price premiums cost residential Basic Service customers about $3.4 billion, or about $22 per customer per month.[2]
- Despite a steady decline in residential Basic Service customers over the last five years, premiums totaled $1.5 billion in 2020-2024 alone. Premiums in 2023 and 2024 were especially high, averaging $47 per month compared to $18 per month in the preceding eight years.
- Premiums have also been growing in percentage terms. While the median monthly retail premium from 2005 to 2024 was 35 percent, the median over 2015–2024 was 43 percent and, as noted above, for 2019–2024 was 49 percent.
- When retail prices fall short of actual costs (a negative premium), suppliers absorb the loss. However, in 88 percent of the months from 2015 to 2024, premiums were positive, and in 12 percent (14 months) customers paid at least double the actual cost of supply.
- Premiums are largest and have grown the most in winter and spring months. When looking at 2020 through 2024, median monthly premiums in January through April are $38 per customer.

[1] Delivery charges, meanwhile, include the cost of distribution and transmission infrastructure, costs related to low-income programs, clean energy, electrification, and energy efficiency, and other miscellaneous costs.

[2] All cost values are reported in 2024 dollars. At the time of this report's writing, 2024 is the most recent year for which complete data is available for all months.

Fewer and fewer residential customers in Massachusetts are on Basic Service. Partly due to the high cost of Basic Service, many towns and cities have implemented Community Choice Aggregation (CCA) or similar programs in which the municipalities purchase supply on behalf of their residents.[3] As of 2024, 47 percent of customers were on these programs, and only 35 percent were on Basic Service. The remaining 18 percent purchase electricity on their own via a competitive supplier (in a process sometimes called "Retail Choice"), likely in an effort to reduce their supply costs.[4]

However, CCA and Retail Choice customers are likely to be overpaying for electricity as well. A growing body of research has identified that Basic Service prices tend to serve as a price heuristic for other types of service. For example, we observe that CCA rates tend to be set according to the same methods used Basic Service rates, set in reference to the rates themselves, and/or contracted with the same competitive suppliers. This means that they are likely impacted by the same kind of retail premium drivers, albeit to a different degree. From 2015 to 2024, we estimate that retail premiums cost residential Retail Choice and CCA customers, as well as small commercial and industrial (C&I) customers, an additional $8.9 billion, for a total of $12.3 billion among residential and small C&I customers.

Massachusetts is not the only state burdened by high retail premiums; our research identified similar situations in other states. At the same time, Massachusetts can learn from strategies adopted by other jurisdictions that have reduced premiums while decreasing bill volatility, as well as those used by local Municipal Light Plants (MLPs). Such strategies could reduce risk, ensure more oversight and transparency, and refund customers when future costs are poorly estimated. If adopted in Massachusetts, these strategies (summarized in Table 1) could lower bills and create a system with fairer, more cost-reflective electricity prices.

Our analysis indicates that:

- Had these strategies been in use in 2015–2024, residential monthly bills could have been lowered by $12 per month, or about 8 percent of a typical monthly customer bill, saving Basic Service customers in Massachusetts nearly $1.8 billion altogether.
- These strategies help to reduce customer bill volatility, even when taking into account monthly changes in weather and typical electricity consumption. These strategies could have reduced month-to-month swings in customer bills by about $2 per month.

[3] These programs often also feature purchases of renewable energy, above and beyond the Commonwealth's baseline requirements.

[4] It has been well documented that Retail Choice customers regularly pay more for electricity than Basic Service customers, even though they sign up expecting savings. See, for example, *A Predatory and Broken Market: the January 2025 Update: Analysis of the Individual Residential Electric Supply Market in Massachusetts*. Howington, Timothy E. Massachusetts Attorney General's Office. January 2025 (rev. May 2025). Available at https://www.mass.gov/info-details/municipal-aggregation-annual-reports. Critically, even though Basic Service is sometimes called "service of last resort," it remains the only realistic option for non-predatory electricity pricing for many consumers in the Commonwealth who do not have the option of a Community Choice Aggregation program.

Table 1. Potential strategies for Basic Service procurement in Massachusetts

Strategy	Brief Description
Spot purchases and reconciliation	The purchasing entities (e.g., utilities) purchase energy from the spot market (to varying degrees, i.e., less than 5 percent to 100 percent of load). For each month, purchasing entities (e.g., utilities) set a Basic Service retail price, then refund or charge Basic Service customers during a subsequent time period for any over-charges or under-charges relative to the spot market.
Block purchases	Purchasing entities purchase blocks of power from suppliers, instead of full-service contracts, which reduces supplier risk and thus the suppliers' premium. This requires some spot market purchases to balance power blocks and real-time load (managed via reconciliation charge).
Changing the purchasing entity	A third-party entity becomes responsible for purchasing Basic Service on behalf of utilities. It is given more flexibility in the kinds of supply products it can purchase (e.g., a mix of longer-term procurements and spot market purchases). An independent agency or market monitor could have a mandate to minimize consumer costs and price volatility.
Long-term purchases of clean energy	Continued investment in existing clean energy programs help to act as a hedge against volatile actual energy costs and high premiums.

1. BASIC SERVICE ELECTRICITY SUPPLY: PLAYERS AND PROCESS

Massachusetts has a restructured (sometimes called "deregulated") electricity market with multiple sets of players, only some of which are subject to regulation by the Department of Public Utilities (DPU). Like 12 other states, Massachusetts prohibits the electric distribution companies (EDCs)—Eversource, National Grid, and Unitil—from owning power plants or selling power they generate directly to captive consumers.[5] Instead, a 1997 law (the "1997 restructuring law") entrusts the utilities to (a) provide distribution service ("delivery" of power) through the transmission network, poles, and wires, and (b) procure electricity "supply" (the actual electricity) from separate suppliers.[6]

When consumers in Massachusetts get their electricity supply through an EDC, it is called Basic Service (other states call it "default service," "standard offer service," or "service of last resort"). Alternatively, they may use a third-party competitive retail supplier (called Retail Choice) or, if available, can enroll in their local Community Choice Aggregation (CCA) or municipal aggregation program, in which their municipality negotiates for and secures the supply portion of their bill instead of the EDC.[7] As of 2025, 225 of the 351 municipalities (64 percent) in Massachusetts had established or filed proposals to create a CCA, with the vast majority of these currently having a CCA in effect.

Per the 1997 restructuring law, Massachusetts EDCs must procure supply for their Basic Service customers through a competitive bidding process, with retail rates fixed for six-month periods. The DPU, which regulates the Basic Service process, determined in 2003 that EDCs should procure half of their residential customers' supply every six months, for 12 months of supply at a time.[8] As required by the 1997 law, residential Basic Service customers can pay the same fixed price for six month at a time.[9] Basic Service for small and medium commercial and industrial customers uses the same procurement schedule, while EDCs procure supply for large commercial and industrial customers every three months. In 2023, the DPU required that all EDCs procure power on the same dates, to minimize cost differences across the three utilities.[10]

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[5] There are limited exceptions to this—for example, state policies that allow EDCs to own solar and storage resources.

[6] G.L. c. 164 § 1B(d) or General Laws, Part 1, Title XXII, Chapter 164, Section 1B: Service territories for distribution companies; rates. Available at: https://malegislature.gov/Laws/GeneralLaws/PartI/TitleXXII/Chapter164/Section1B.

[7] CCA programs are typically opt-out programs, meaning that by default, customers are enrolled in the CCA, but they can choose to receive electricity supply via Basic Service or Retail Choice instead.

[8] EDCs procure staggered, laddered supply terms and supply is procured for a total of 12 months biannually, but contracts do not exceed 6 months. For example, two different suppliers could be selected for each 6-month term, resulting in two 6-month contracts. Pricing and Procurement of Default Service, Order DTE 02-40-B. (Note that the Department of Telecommunications and Energy (DTE) was the former name for the DPU.) In that same Order, the DPU also noted that EDCs can procure long-term contracts, subject to Commission approval, as a way to comply with the state's RPS requirements.

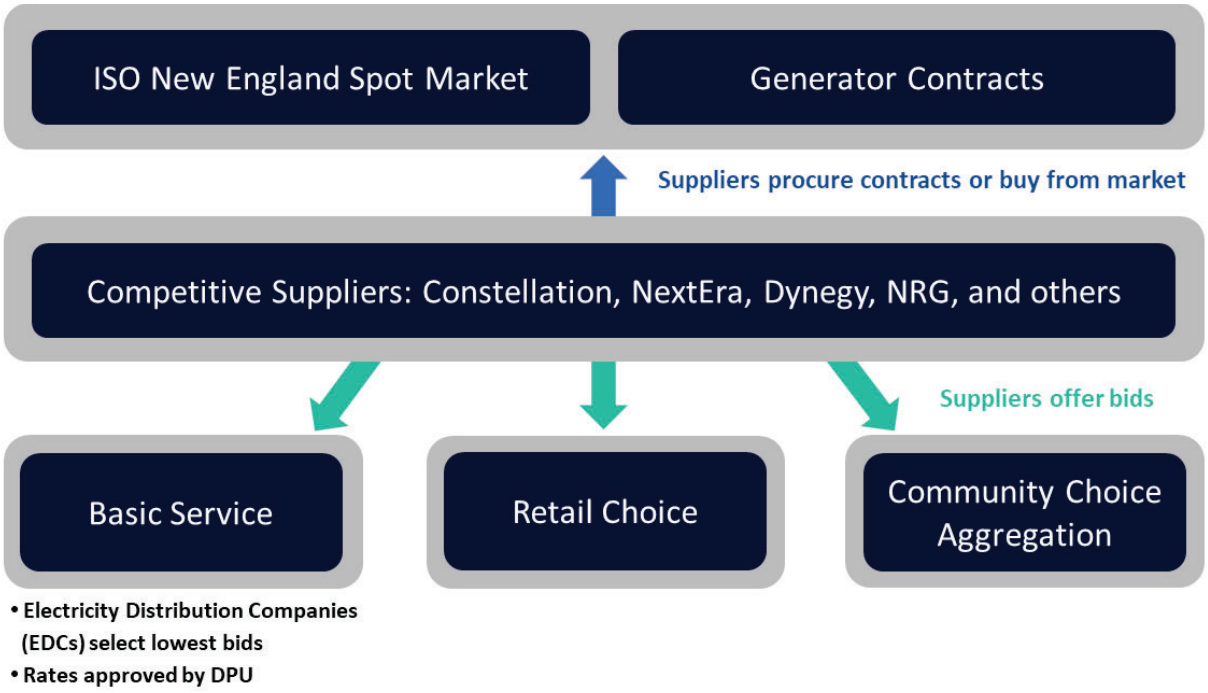
[9] If customers choose to do so, they can enroll on a monthly pricing plan where their rates change month to month in a prescribed way. The six-month default weights these monthly prices by expected load.

[10] Pricing and Procurement of Default Service, Order DTE 02-40-C, and Order DPU 23-50A.

Every six months, EDCs issue a request for proposals (RFP) to procure their electricity supply three to nine months ahead of the delivery period. Entities called "competitive suppliers" submit bids to each EDC, which include their monthly fixed supply prices. Suppliers offer a bundled price that includes all cost components: generation (energy), capacity, ancillary services, and other costs (described in detail in Chapter 2).[11] This is typically done separately for residential, commercial, and industrial load classes (i.e., suppliers offer bids for a different quantity, at a different price, for each of the load classes). The bids are for full-service requirement contracts, also known as load following agreements; the winning bidders must match fluctuating consumer demand at all times, always at the agreed-upon price. In other words, if load increases by 5 percent between, for example, 1:00 pm and 1:05 pm, the supplier must contract for the delivery of 5 percent more electricity to the EDC, instantaneously.

Typically, the EDCs will identify the cheapest bid or set of bids and submit them to the DPU, which then approves the contract(s) and associated rates, allowing the costs to be passed on to customers (see Figure 2). Importantly, EDCs may not earn a profit on the energy supply—though they are allowed to charge customers administrative costs for running the procurement process. Revenues are collected from customers by EDCs through Basic Service charges, then passed to competitive suppliers, who meanwhile pay suppliers directly for contracted supply as well as purchase energy in the wholesale markets run by ISO New England (see Figure 2).

Figure 2. Flow chart showing the procurement and sale of electricity in Massachusetts



[11] Depending on the procurement, a utility may contract with a single supplier, or a set of suppliers for the contract period. In addition, contracts with suppliers may also include the cost of RPS compliance. In other cases, EDCs pay the costs for this compliance and roll this into the supply component on customer bills.

2. BREAKING DOWN SUPPLY COSTS

Electricity bills in Massachusetts have two components: supply and delivery. While the delivery component reflects the cost of physical infrastructure (e.g., poles and wires) and policy programs, the supply component reflects the cost of electricity as a commodity. It includes four main elements, as explained in detail below:

- **Energy**: This is typically the largest part of supply. In theory, it is meant to represent the cost of purchasing electricity from ISO New England's hourly wholesale energy markets.
- **Renewable portfolio standard (RPS) compliance**: This is the next largest part of supply. It covers the cost of purchasing renewable energy certificates (RECs), or analogous environmental attribute products, which are used to comply with Massachusetts' clean energy requirements. In some situations, EDCs purchase RECs directly, instead of through suppliers, and then include these costs in supply rates.
- **Capacity**: This is typically the third largest part of supply and is tied directly to capacity market costs, which in New England are set annually and known three years in advance.[12]
- **Miscellaneous**: This tends to be a small part of the price and includes things such as the suppliers' cost to participate in ISO New England's markets, ancillary services such as operating reserves and frequency regulation (including the Day-Ahead Ancillary Services Initiative or DASI), adjustments for transmission and distribution losses, and other miscellaneous items.

A fifth element is the premium:

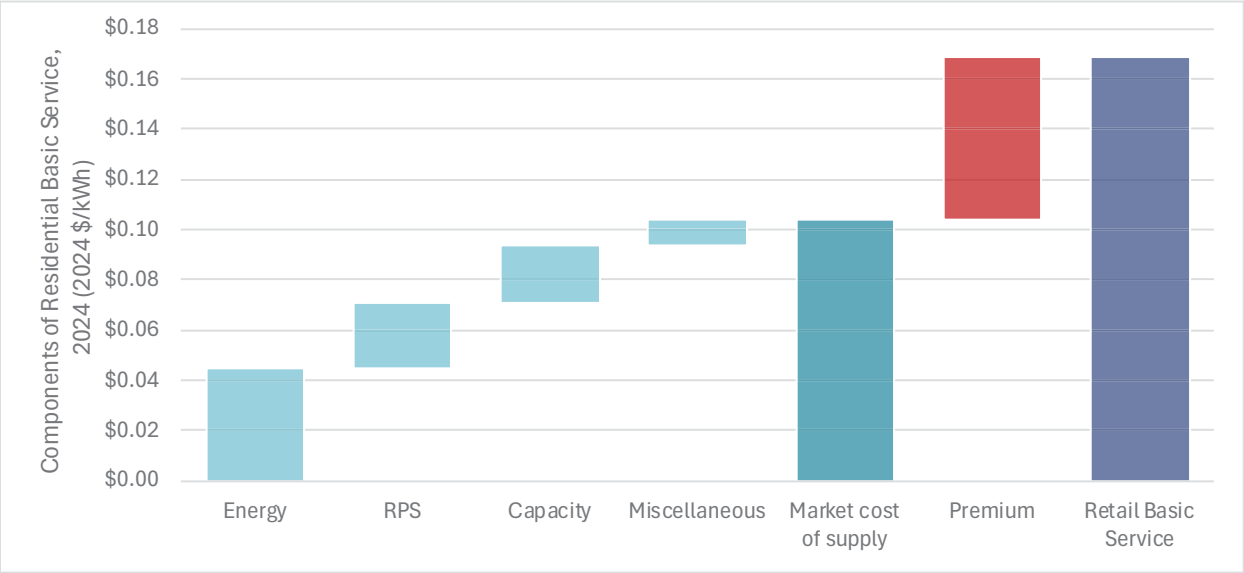
- **Premium**: This category includes costs that are above and beyond actual market costs. It likely includes costs related to competitive supplier profits, credit costs, transaction costs, and hedging supplier risk. In recent years, premiums have represented the largest portion of supply costs on consumer bills.

Figure 3 shows the average cost of each of these components in 2024, while Table 2 describes the approach we used to calculate each of these elements.[13] In 2024, premium costs were the single largest component of supply costs. In that year, they constituted 62 percent more than the actual cost of supply—larger than some years, but within the 25th to 75th percentile range of the past 10 years.

[12] Small adjustments to the capacity price are made through annual and monthly reconfiguration auctions, but the price set through the three-year-ahead Forward Capacity Auction is the main driver of capacity prices. Pending Federal Energy Regulating Commission (FERC) approval, ISO New England plans to implement a prompt capacity market by June 2028, where the annual auction will occur one month ahead of time instead of three years in advance.

[13] This is calculated on a weighted average basis for all residential customers on Basic Service.

Figure 3. Average cost of supply and Basic Service rate components for residential customers, 2024



Note: Energy, RPS, capacity, and miscellaneous costs are calculated based on actual market costs. Premiums are calculated by subtracting the sum of energy, RPS, capacity, and miscellaneous costs from Retail Basic Service prices. See Table 2 for a detailed methodology of how these costs were compiled.

Table 2. Summary of methods used to calculate costs

Component	Calculation Method
Energy	Calculated as a load-weighted monthly average of settled (day-ahead and real-time) energy prices for Massachusetts, using SMD Hourly Data reports from ISO New England.[14]
RPS	Calculated based on data and methods published by the Massachusetts Department of Energy Resources (DOER).[15] RPS costs are estimated based on range of likely REC prices (with a typical range at or near the maximum price—the alternative compliance payment—for most RPS categories), electricity sales (e.g., from sources like EIA Form 861), and changing REC requirements (e.g., taking into account rising REC percentages, as well as changes to REC programs, such as the ongoing phase-out of the SREC program, which will likely moderate future cost increases in the RPS component of supply).[16]
Capacity	Calculated using data published by ISO New England in its Monthly Wholesale Load Cost Data Series.[17] Capacity costs for Massachusetts are divided by annual New England system-level capacity factors (ranging from 53 to 59 percent over time), in accordance with Wholesale Load Cost Reports from ISO New England.[18]
Miscellaneous	Calculated using data published by ISO New England in its Monthly Wholesale Load Cost Data Series (ISO administrative costs, ancillary services such as operating reserves and frequency regulation including DASI, etc.). Also includes estimates of costs related to Mystic Cost-of-Service and older winter reliability programs. Also includes a 6.67 percent transmission and distribution loss factor based on data filed by EDCs in docketed Basic Service proceedings at MA D.P.U.[19]
Market cost of supply	Calculated as the sum of the above categories.
Retail Basic Service	Calculated as a weighted average (by sales) of rates published by Massachusetts D.P.U.[20]
Premium	Calculated as the retail Basic Service minus the market cost of supply, on a per-kWh basis.

2.1. Why are premiums so large?

Since bidding information is not publicly available in Massachusetts, it is impossible to identify the primary drivers of premiums. That said, based on our review of the literature and conversations with stakeholders, we identify several likely cost drivers:

[14] SMD reports. ISO New England. Accessed November 2025. Available at https://www.iso-ne.com/isoexpress/web/reports/load-and-demand/-/tree/zone-info. Note that hourly data was used to develop weighted average prices wherever possible; in early years (e.g., 2005-2010) hourly data is not available. In these years monthly real-time and day-ahead prices were used to develop average settled prices.

[15] RPS and APS Annual Compliance Reports. Massachusetts DOER. Accessed November 2025. Available at https://www.mass.gov/info-details/annual-compliance-reports-and-other-publications. Note that some renewable policies (e.g., SMART) are paid for in the delivery portion of customer bills.

[16] Note that depending on the EDC and the time period being considered, suppliers' bids may not include the cost of RPS compliance. Instead, in these situations, the EDC will procure RECs to meet compliance. In order to facilitate comparisons over time, with Basic Service retail rates, and with CCA and Retail Choice retail rates, we include the cost of RPS compliance in the market cost of electricity.

[17] Monthly Wholesale Load Cost Analysis. ISO New England. Accessed November 2025. Available at https://www.iso-ne.com/isoexpress/web/reports/load-and-demand/-/tree/mthly-whl-load-cost-rpt.

Futures pricing, the basis for bid prices, is often higher than actual energy prices.

The first reason that premiums are so large is because the hourly energy market is hard to predict. Unlike other supply cost categories, which are either small or generally knowable long in advance, the energy market is subject to a large degree of volatility as a result of weather, geopolitical instability, and natural gas prices (which are themselves partly driven by weather). Recall that suppliers offer monthly fixed prices for electricity supply for a future 6-month contract period—but it is impossible to know what hourly energy prices will be 3 to 15 months in advance.[21] Suppliers hedge some of their supply with contracts with generators, with some portion purchased in the spot market.

As a result, competitive suppliers set their energy bids using futures data. Energy futures are commodity products created and traded on a handful of financial services platforms. These products represent real trades for energy in future months. While there may be no other practical alternative for estimating energy prices in coming months, energy futures are not precise forecasts. The futures are rarely going to be a perfect match to the cost of generating and providing electricity supply in the future.

We gathered NYMEX energy futures data used in the 15 most recent National Grid Basic Service procurements for all customer classes, from March 2022 to September 2025. The futures pricing was from trading days that were two to 13 months ahead of the delivery periods, with an average of seven months in advance.

We observed that the futures price was higher than the average market cost of energy for 70 percent of the months from May 2022 to September 2025. In those months, on-peak winter futures prices were higher than market costs by an average of $89 per MWh, while summer on-peak futures prices were higher by an average of $14 per MWh.[22] This mismatch between futures prices and actual market prices is likely to have inflated Basic Service bids and resulting consumer rates, and to continue to do so. Furthermore, because futures prices are themselves a financial instrument that hedge against risk and uncertainty, adding a premium markup to these may over-count that risk and uncertainty.

Future energy costs, which appear to rely primarily on futures pricing, are the most volatile component of supply, as they can vary greatly in response to difficult-to-forecast weather patterns or geopolitical

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[18] Monthly Wholesale Load Cost Analysis. ISO New England. Accessed November 2025. Available at https://www.iso-ne.com/isoexpress/web/reports/load-and-demand/-/tree/mthly-whl-load-cost-rpt.

[19] See, for example Unitil. "DPU 25-BSF-A2 proposed Basic Service Confidential filing (1).xlsx." See "Basic Service Rate Calculation" sheet, cell C19. Available at https://fileservice.eea.comacloud.net/V3.1.0/FileService.Api/file//aedfjfiie?VnMAQdp3DdiEgoqcn/bBL6qJ8gZlgGUjW1eLLBVZhYWPcSxI+blU344Khxm+qpOeg0hKFj9M9l/xQR8+/8GqPvdGgrFe6XR6nglfa80wd3rxFD8G4j981M2Rna9aVTXA.

[20] Basic Service Information and Rates. Massachusetts D.P.U. Accessed November 2025. Available at https://www.mass.gov/info-details/basic-service-information-and-rates.

[21] RFPs are issued three months ahead of the delivery period, which last 12 months.

[22] This is estimated using on- and off-peak NYMEX electricity futures as listed in National Grid Basic Service Filings (dockets DPU 22-BSF-D1 through DPU-25-BSF-D3). We have not conducted this same comparative analysis of energy futures for other months. Further analysis of monthly and seasonal changes of premiums can be found in Chapter 3.1.

events. By comparison, REC costs are relatively straightforward to estimate several months in advance, and the main elements of capacity costs are known years in advance. However, as ISO New England switches from a three-year ahead to one-month ahead ("prompt") capacity market, a more pronounced futures market may develop, introducing more uncertainty and premiums into customer pricing.[23]

Suppliers add a risk premium to hedge against price volatility, load fluctuations, and load loss.

Another reason that premiums are high is supplier risk. Suppliers hedge against three types of risk: (1) price volatility, (2) differences in forecasted versus actual load, and (3) customer changes (e.g., customers leaving or returning to Basic Service). Through full-service contracts, suppliers must provide supply to 100 percent of the load, 100 percent of the time, at fixed monthly prices. They may buy electricity from power plants via bilateral contracts, use power from the generating plants their parent companies own, and/or buy and sell energy directly in the ISO New England spot market. Since both load and electric prices fluctuate constantly based on weather and other drivers, the suppliers do not know their true cost of providing that energy at the time of the Basic Service RFP bids. Competitive suppliers may include a mark-up on their procurement cost to reflect the fact that their procurement bid may be too low, and that they could lose money.[24]

Importantly, in Massachusetts, consumers have a choice of who their supplier is: they can purchase electricity through Basic Service, through Retail Choice, or if their municipality has it as an option, a CCA. Consumers can, in theory, switch between these options whenever they'd like. As a result, the competitive suppliers that provide supply to CCAs may also increase prices to reflect the fact that customers can defect from Basic Service, either one at a time through Retail Choice, or en masse through CCAs. However, DPU's approval of a municipality initiating a CCA is usually done months in advance of the Basic Service contract period, giving suppliers advance warning for such a risk.[25] Competitive suppliers also supply power to Retail Choice and CCA customers, giving them additional insight into this risk.

Suppliers seek to make a profit and cover their transaction costs.

Competitive suppliers are for-profit entities and, as a result, are likely to seek to make a profit on providing the service of supplying clients, whether for Basic Service, CCAs, or Retail Choice, with electricity. Suppliers will also have transaction costs associated with providing Basic Service, which carry transaction costs (e.g., legal fees), and they will build those costs into their own prices.[26]

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[23] Pending FERC approval, ISO New England plans to implement the prompt capacity market by June 2028.

[24] When spot market prices exceed supplier prices, generators could also end up making additional profit.

[25] There has also not been a noticeable amount of migration from CCAs to Basic Service or Retail Choice, limiting the direction that this risk is likely to take.

[26] While EDCs like Eversource, National Grid, and Unitil are precluded from directly owning power plants (with a few narrow exceptions), some competitive suppliers can and do own power plants in New England.

Some premiums are explicitly accounted for in competitive supply bids.

We observe that some premiums are known by EDCs. For example, in a 2025 filing by Unitil, the EDC estimated a "bid premium" of 32 to 33 percent.[27] This "bid premium" is a markup applied to energy and capacity prices, and is stated as being inclusive of ancillary service costs, ISO administrative fees, transmission and distribution losses, and other charges (which may include risk and profit). This "bid premium" is overlapping but different from the retail premium described in this document, as it includes some expected ancillary and administrative services costs (which *are not* part of the retail premium), and excludes differences between projected and actual energy prices (which *are* part of the retail premium).

2.2. Why do premiums exist?

These premiums do have a purpose. By committing to a specific price that is locked in a 6-month contract, competitive suppliers bear the risk of actual prices coming out higher than they committed to, or load being lower than they expected. In the winters of 2012–2013 and 2013–2014, competitive suppliers under-bid supply costs relative to actual costs, and lost $264 million and $576 million, respectively.[28] Suppliers have a very strong incentive to avoid these kinds of losses whenever possible. For consumers, in turn, the premium could be seen as a reasonable price to pay for certainty: a stable, knowable supply price rather than one that fluctuates substantially across hours, days, and months. However, consumers are only paying for that certainty within a Basic Service contract term. The current approach provides no protection against volatility from one 6-month period to the next.

In reality, however, consumers are paying far too much for this certainty. In the 120 months from January 2015 to December 2024, consumers paid more than the market price of supply in 106 months (88 percent). In 12 percent of months (14 months), retail customers paid at least double the actual cost of supply.[29] Altogether, residential Basic Service customers have paid $3.4 billion in retail premiums over 10 years (in real 2024 dollars). What's more, premiums have increased in recent years: residential Basic Service customers paid $1.5 billion in retail premiums 2020–2024 alone, despite residential Basic Service having half the customers it had in 2015 by the end of that time period.

At some point, the premiums become unacceptably high, and the process demands reform.

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[27] DPU 25-BSF-A2. Petition of Fitchburg Gas and Electric Light Company d/b/a Unitil for Approval of Basic Service Rates for August 1, 2025 through January 31, 2026. June 13, 2025. Proposed Basic Service Confidential Filing. Table 7 – Expected Bid Prices. Available at https://fileservice.eea.comacloud.net/V3.1.0/FileService.Api/file//aedfjfihe?VnMAQdp3DdiEgoqcn/bBL2Zw4DJKmGuEPwz9YhdTp02PcSxI+blU344Khxm+qpOeg0hKFj9M9l/xQR8+/8GqPvdGgrFe6XR6ngIfa80wd3rxFD8G4j981M2Rna9aVTXA.

[28] 2013 and 2014 are the only calendar years in which we estimate that suppliers lost money, totaling $238 million in aggregate losses. We note that suppliers came out ahead $314 million in 2012 and $752 million in 2015, and also saw positive premiums in the 16 other years in our analysis.

[29] Premiums are consistently positive over a longer time period as well: in the 246 months from January 2005 through June 2025, customers paid more than the market cost of electricity in 84 percent of months.

2.3. There is no reconciliation or adjustment process for consumers

Critically, most supply rates do not include a reconciliation charge. In other words, once a supply charge is set through a competitive procurement, there is no mechanism to update the price if market prices or load change. As discussed, suppliers rely on inaccurate and often overestimated electric futures prices in their bids. The structure of the current system is thus biased to overprice supply—and there is no way to get that money back. If suppliers inflate their bid prices, and the market cost of supply ends up being much lower, there is no mechanism after the delivery period to provide a refund or adjustment to consumers.[30]

2.4. The process in Massachusetts lacks transparency and competition

Although the general approach for Basic Service procurement and rate setting is well understood by experts, the details of the competitive process are not transparent. The winning suppliers and offer prices for each procurement round are not always made public. The strategies used by suppliers to set their prices (and thus the amount of risk premium they are adding) are also not available to the public and may not even be visible to the DPU or even the EDCs.

Both the U.S. Energy Information Administration (EIA) and the DPU maintain lists of competitive suppliers and brokers who serve Retail Choice or CCA customers, but we have found no list for Basic Service suppliers.[31,32] Although there are many dozens of registered suppliers, EIA data indicate that the Retail Choice and CCA markets include just a limited set of suppliers. Over 2021–2024, *four* companies provided 78 percent of the electricity used by non-Basic Service residential customers in Massachusetts. These companies are NRG (which also owns a number of smaller players in the market), Constellation (which is acquiring another large player, Calpine), NextEra, and Dynegy. Interviews with CCA administrators confirmed that the same three to five suppliers consistently bid on their supply contracts.

Although we do not know for certain which companies are bidding on Basic Service contracts in the state, these four company names appear repeatedly in the MA DPU dockets where winning supplier names are published, and multiple experts interviewed hypothesized that the same few suppliers likely bid on Basic Service contracts. For example, the winning suppliers from National Grid's most recent Basic Service solicitation were Constellation, Dynegy, NextEra, HQ Energy Services, and Shell Energy.[33]

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[30] There are limited exceptions to this. See Chapter 5.1 for more.

[31] EIA Form 861 data includes around 70 suppliers of residential energy service in Massachusetts that have supplied at least 1 MWh since 2006, with some of these suppliers being subsidiaries of the same parent company.

[32] "Competitive Suppliers and Electricity Brokers Licensed in Massachusetts." Massachusetts Department of Public Utilities. Available at: https://app.powerbigov.us/view?r=eyJrIjoiYTYxY2RjZTAtNTA0OS00ZmViLWJlYTktMjVmNGM2MWMwNDlhIiwidCI6IjNlODYxZDE2LTQ4YjctNGEwZS05ODA2LThjMDRkODFiN2IyYSJ9.

[33] Massachusetts Electric Company Nantucket Electric Company d/b/a National Grid: Basic Service Filing For the period August 1, 2025 through January 31, 2026 for Residential and Small Commercial Customers and August 1, 2025 through October 31, 2025 for Industrial Customers, D.P.U. 25-BSF-D2 (June 17, 2025).

The winning suppliers from Eversource's most recent solicitation also included Constellation, Dynegy, and HQ Energy Services, plus one additional supplier: Five Elements Energy II.[34] These anecdotes and data points suggest that the market is unlikely to be competitive, but due to the lack of transparency, we do not know for certain how many or which suppliers bid on Basic Service procurements.

A small pool of suppliers can limit competition and increase prices. A 2025 study of Ohio's default service procurements, for instance, found that the number of competing suppliers is critically important in managing prices. The researchers found that the retail supply price in Ohio was about 40 percent higher than the wholesale electricity price. With even small reductions in competitiveness—such as if three fewer suppliers bid—the markup would double to 80 percent. In other words, a decrease in the number of bidders results in higher electricity prices.[35]

Recall that the EDCs select the lowest bids for Basic Service. This theoretically prevents one company from drastically increasing its premiums. However, if the number of suppliers is small, they can more easily coordinate their prices, in relative unison, without risking that they will be outbid. The authors of the Ohio study noted that markets with fewer than six suppliers can facilitate tacit collusion even without suppliers communicating with one another.[36] These authors also noted that this effect has been well documented in the economics literature on auctions.[37,38] Although we do not know for certain, it appears that fewer than six suppliers could be routinely responding to Basic Service bids in Massachusetts.

[34] Basic Service Filing of NSTAR Electric Company d/b/a Eversource Energy. Appendix B, D.P.U 25-BSF-C4 (November 14, 2025). Available at: https://fileservice.eea.comacloud.net/V3.1.0/FileService.Api/file//aehadddgj?PmDjYqNYsRfjLy4P+6f0B2sLVPSl7NdqNUTTiLCXtaiPcSxI+blU344Khxm+qpOeg0hKFj9M9l/xQR8+/8GqPvdGgrFe6XR6ngIfa80wd3rxFD8G4j981M2Rna9aVTXA.

[35] Dormady N., A. Roa-Henriquez, M. Hoyt, M. Pesavento, G. Koenig, W. Welch, Z. Li. 2025. "How are retail prices formed in restructured electricity markets?" Energy Economics 143. Available at: https://doi.org/10.1016/j.eneco.2025.108243.

[36] Conversation with representatives from Ohio State University, November 2025.

[37] Selten, R. 1973. "A simple model of imperfect competition, where 4 are few and 6 are many." Int Journal of Game Theory 2, 141–201. Available at: https://doi.org/10.1007/BF01737566.

[38] Dormady, N. 2014. "Carbon auctions, energy markets & market power: An experimental analysis." Energy Economics 44, 468-482. Available at: https://doi.org/10.1016/j.eneco.2014.03.013.

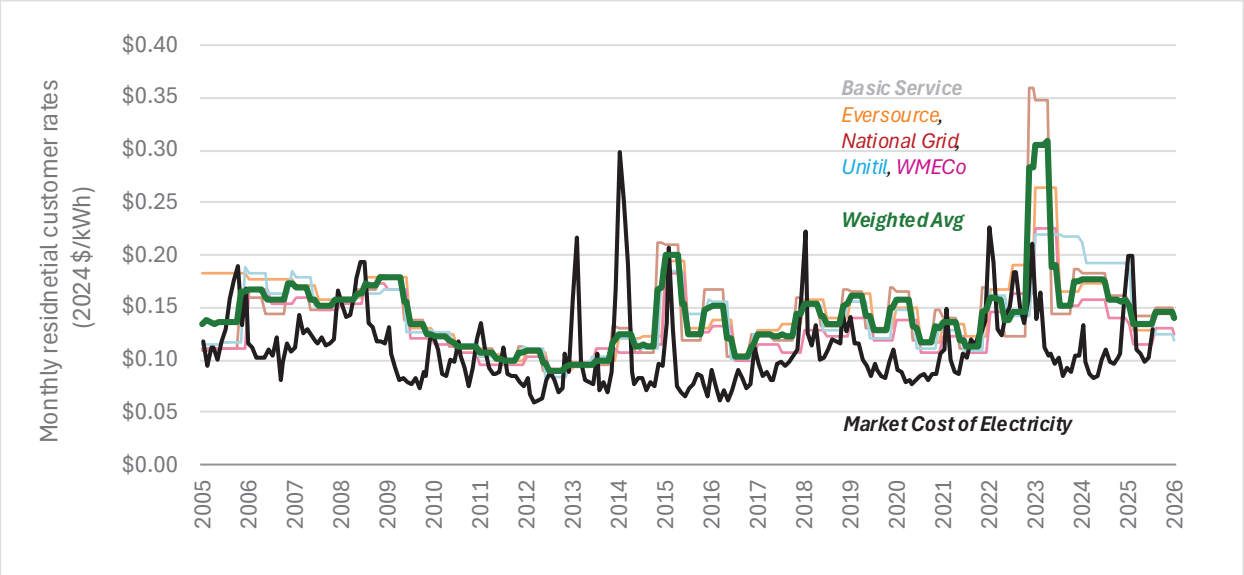
3. RETAIL PREMIUMS COST CONSUMERS BILLIONS OF DOLLARS

Over time, these premiums add up for Massachusetts electric customers. The figures throughout this chapter show how these numbers stack up from a few different perspectives.

3.1. Estimates of retail premiums for residential Basic Service customers

First, Figure 4 shows the difference between the market cost of electricity (in black) and the weighted average retail supply price (in green). The elements of this weighted average—the constituent retail supply rates from Eversource (NSTAR), National Grid, Unitil, and Eversource (WMECo)—are shown in lighter colors.[39] We observe a large difference between the green line and the black line, and note that in only a handful of circumstances (most notably the winters of 2012–2013, 2013–2014, and 2021–2022) did the black line exceed the green line, meaning that actual market prices exceeded Basic Service supply rates. In these cases, for a period of several months, the competitive suppliers lost money. In all other months, retail customers overpaid for electricity.[40] We also observe that Basic Service prices—and premiums—tend to increase after these periods.

Figure 4. Wholesale prices and residential Basic Service, by month

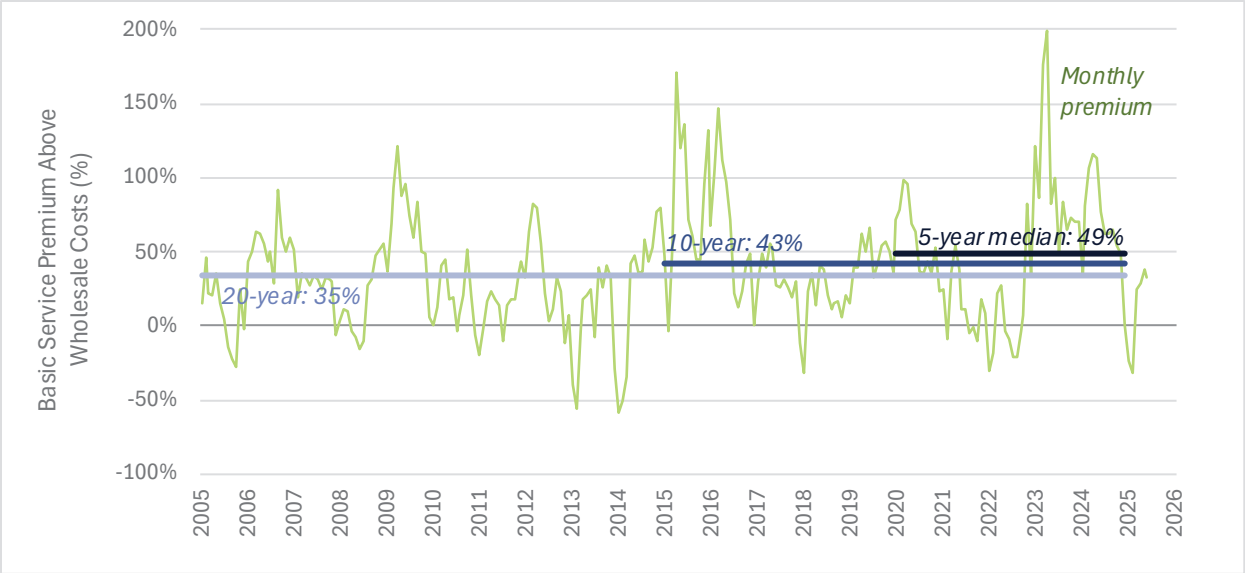


[39] Eversource in Massachusetts serves two distinct sets of customers: those in the WMECo service territory in the western half of the state and those in NSTAR service territory (and other smaller territories) in the eastern half of the state. Basic Service rates are set separately for these two sets of customers.

[40] These findings are consistent with a 2024 report by Exeter Associates focused on New Hampshire. See Solicitation and Procurement of Default Electric Service in New Hampshire. Exeter Associates. March 28, 2024. Available at https://www.energy.nh.gov/sites/g/files/ehbemt551/files/inline-documents/sonh/inv-2023-001-doe-final-report.pdf. See Figure 8 and surrounding text.

Figure 5 quantifies this retail premium. From 2005 through 2024 (the final complete calendar year with a full set of data), the median observed retail premium for monthly rates was 35 percent. This premium appears to have grown over time: from 2015 through 2024, the median premium was 43 percent, and from 2020 through 2024, the premium was 49 percent.[41]

Figure 5. Estimated residential Basic Service retail premiums (%)



Note: Versions of this figure with simple averages or sales-weighted averages yield similar trends.

Figure 6 translates this gap into millions of dollars. For each month, we (a) estimate the dollar-per-kWh difference between Figure 4's "market price" and each utility's retail rate and (b) multiply this quantity by the number of residential Basic Service kWh sold by each utility to determine total costs. In this figure, when the green bars are positive, competitive suppliers are making money relative to residential customers, with negative bars indicating the reverse. Over this entire 20-year period, we observe just 39 instances (16 percent of months) when retail customers came out ahead, relative to the actual market cost of electricity. Over the entire period, retail customers paid $6.4 billion in premiums, with $3.4 billion being paid in 2015 through 2024. Total dollar premiums have been relatively consistent over time, despite the number of Basic Service customers having declined significantly. Furthermore, we note that this $6.4 billion in premiums is only for Basic Service customers, who as of 2024 represented only 13 percent of all Massachusetts electricity sales from EDCs; it does not include premiums that Retail Choice, CCA, and commercial and industrial Basic Service customers may be paying.

[41] Note that depending on the EDC and the time period being considered, suppliers' bids may not include the cost of RPS compliance. Instead, in these situations, the EDC will procure RECs to meet compliance. Because these compliance costs are not generally subject to any supplier markup or premium, this implies that the percentage premium associated with just the components associated with suppliers (e.g., energy, capacity, and miscellaneous costs) is even higher than estimated here.

Figure 6. Estimated residential Basic Service retail premiums (2024 $ million)

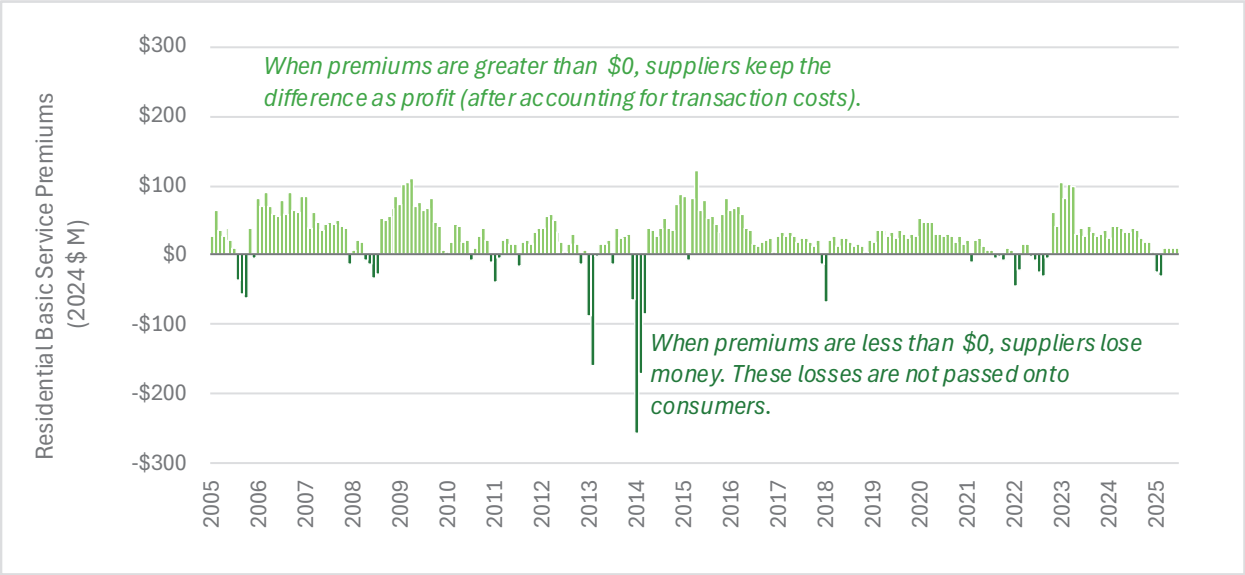
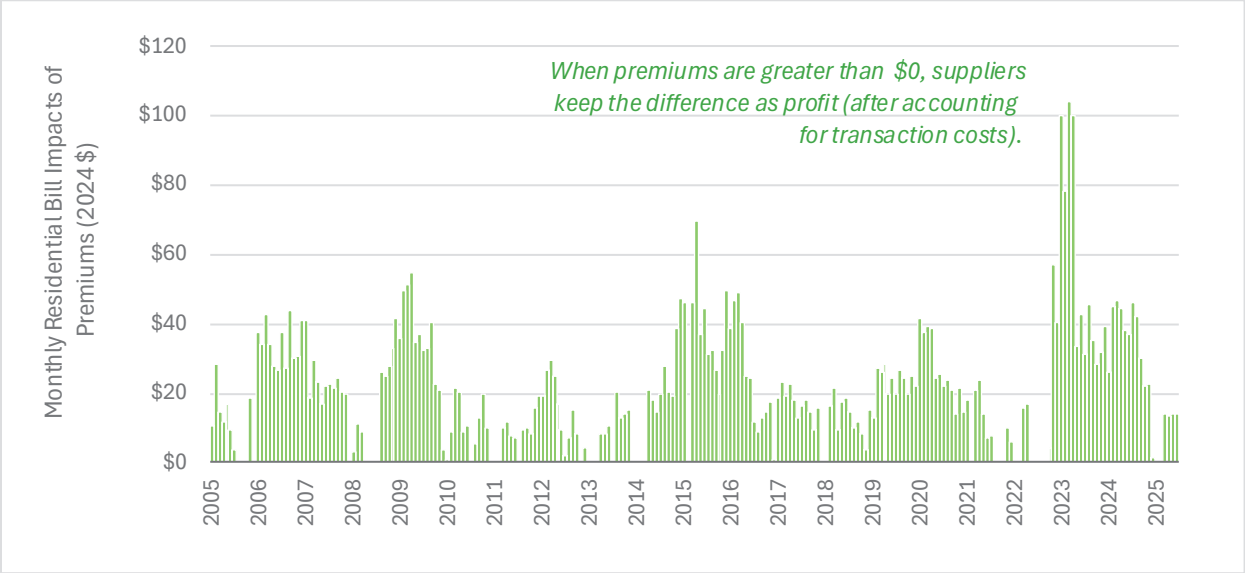


Figure 7 translates the monthly million-dollar premiums into dollar-per-customer bill impacts by dividing the total monthly premium by the number of Basic Service customers at each utility. We find that the average premium paid was $22 per month, even including months in which customers came out ahead (i.e., when premiums were negative). In some months, notably in early 2023, retail premiums reached $100 per month. In other words, in those months, the 1 million households on Basic Service paid an average of $100 per month above the cost of electricity, with many households paying even more.

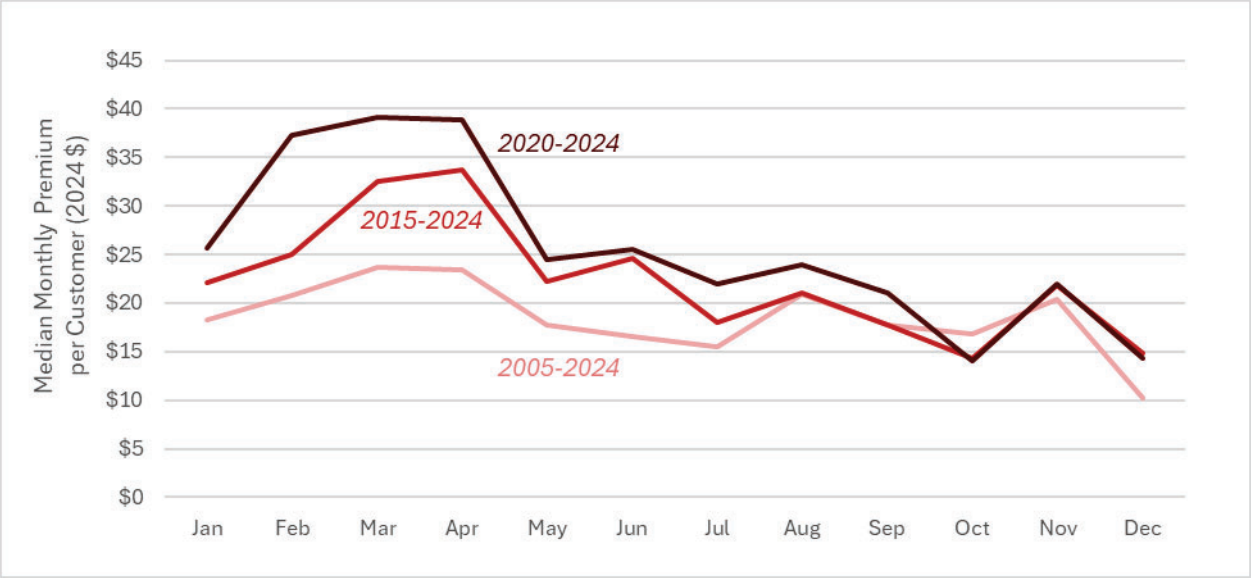
Figure 7. Estimated impact of retail premiums on residential Basic Service electric bills



Note: This figure excludes months where the premium was negative, in order to focus on months where bills were impacted by premiums. When premiums are negative, suppliers lose money, but these losses do not drive down customer bills. We find that the average premium paid from 2015 through 2024 was $22 per month; this average is inclusive of these negative premiums.

Finally, medians appear to be rising faster in certain months. Figure 8 shows the median monthly premium for 20 years (2005-2024), the most recent 10 years (2015-2024), and the most recent 5 years (2020-2024). While premiums in some months, like August through November, have seen fairly small increases or even decreases (on the order of ±$3 per month, when comparing medians in 2005-2024 to medians in 2020-2024), premiums in other months, like May to July, have been larger (on the order of $6-9 per month). Premiums in the winter have grown the fastest, with increases of $4-16 per month. Most recent premiums appear to be largest in February through April. More research and analysis is needed to determine the cause of these quickly-rising premiums, with possible reasons being changes in weather or geopolitical events such as the COVID-19 pandemic or Russia's invasion of Ukraine (which led to higher international demand for liquified natural gas, driving up costs of providing this fuel to New England during peaking conditions).

Figure 8. Median Basic Service retail premium by month (2024 $ per month, per customer)



It is challenging to say what lies in store for future premiums. As New England electricity markets continue to rely on natural gas as a price-setting resource, and as this resource continues to be subject to volatility in weather, global supply chains, and geopolitics, it is likely that we will continue to see a large premium in retail prices. Furthermore, it is likely that this premium is largest in the months following events that inflate the expected future cost of energy (including cold weather spikes, infrastructure failures, and geopolitical events), regardless of whether these events actually lead to persistently higher energy costs. Finally, as New England moves to a nearer-term, prompt capacity market, capacity prices could become challenging to forecast, increasing retail premiums.

3.2. Estimating the retail premiums paid by other customers

The analysis above estimates retail premiums for just one subset of electricity users in Massachusetts: households on Basic Service. These customers represent just one-third of all customers, and use only 10 to 15 percent of all electricity sold in Massachusetts in a given year. However, our analysis suggests that

other customers are also likely overpaying for electricity, including CCA customers (or municipal aggregation customers), retail competitive supply customers (Retail Choice), and commercial and industrial customers. We discuss each in turn below.

Community Choice Aggregation (CCA) customers

In 2024, almost half of Massachusetts residential customers were on a CCA plan (also known as municipal aggregation), where their city or town negotiates prices for supply on their behalf. Compared with Basic Service customers, CCA customers tend to pay less for supply (on average, 17 percent less across the entire study period). Towns and cities (or their brokers) often specifically time their procurement periods to occur after Basic Service prices are published. As a result, municipalities know the price point they are trying to "beat" and can achieve lower pricing for the CCA. In other situations, municipalities or their brokers may time their procurement to align with market lows in energy futures, a practice not allowed under Basic Service's strict procurement schedule. Towns and cities may also purchase power for a longer period of time than 6 months (e.g., 24 or even 36 months), which may also enable lower rates. The competitive suppliers that towns and cities sign contracts with are often the same that provide Basic Service.[42]

Given the lower supply prices paid by CCA customers, our analysis suggests that the retail premium on the typical CCA bill is 24 percent (compared with the 43 percent paid by Basic Service customers). While CCAs are likely the best way for households to achieve lower supply rates, given the Commonwealth's current procurement structure, customers are effectively subject to the same overcharging problems that plague Basic Service customers—just to a lower extent.

Competitive supply (Retail Choice) customers

Another one-fifth of residential customers in Massachusetts are on competitive supply or Retail Choice. These are customers who, rather than procure supply via Basic Service or a CCA, elect to purchase power directly from competitive retail suppliers. However, many of those suppliers are the same companies that provide electricity for Basic Service to EDCs, so Retail Choice customers are likely subject to the same premiums paid by consumers electing to stay on Basic Service.

In fact, it has been well documented that Retail Choice customers regularly pay more for electricity than Basic Service customers, even though they sign up expecting savings. In a series of reports, the Massachusetts Attorney General's Office estimated that the average household on Retail Choice lost $15 per month relative to Basic Service, and low-income households, $18 per month.[43] These losses are

[42] While CCAs very frequently publish which firm they are signing contracts with, not every Basic Service contract indicates who the contracted firms are. As a result, it is not possible to say definitively how often a CCA's contracted supplier for electricity is identical to the Basic Service supplier.

[43] *A Predatory and Broken Market: the January 2025 Update: Analysis of the Individual Residential Electric Supply Market in Massachusetts*. Howington, Timothy E. Massachusetts Attorney General's Office. January 2025 (rev. May 2025). Available at https://www.mass.gov/info-details/municipal-aggregation-annual-reports. See also *Competing to Overcharge Consumers:*

due to a variety of factors, including unfair rate structures and aggressive and deceptive marketing practices (especially among elderly customers and customers lacking in English-language proficiency).[44]

Municipal light plant (MLP) customers

There are 41 MLP utilities serving roughly one-fifth of all residential customers in Massachusetts. MLPs are not regulated to the same degree by the DPU, and MLP electricity procurements are regulated and overseen by their own elected board of local commissioners, not the state. Compared with Basic Service customers, MLP customers tend to pay lower rates.[45] They also do not pay state taxes and are exempt from MassSave and the same RPS requirements as investor-owned utilities (although most do offer their own energy efficiency and electrification programs, and procure RECs). MLPs procure supply in several ways: a small number of MLPs directly own power plants, which offset some of their supply needs (unlike EDCs, which are prohibited from doing so). Many MLPs procure electricity directly from ISO New England's spot markets, to varying degrees. Most MLPs also purchase some or most of their supply from generator owners directly, or through competitive suppliers. These contracts are most often longer-term (e.g., 10, 20, or 25 years) and typically involve fixed quantities of power (unlike the six-month full-service requirements for Basic Service). Still, generally speaking, generator owners or competitive suppliers selling blocks of power would include a profit margin into their price, but likely with a lower risk premium than under a full-service requirement, as there is no risk of price volatility or of load fluctuations or load loss to suppliers.

Purchasing electricity directly in the spot market exposes customers to price volatility; as a result, MLPs typically have a rate reconciliation mechanism to smooth out these costs. Many of the MLPs also have a restabilization fund to which they contribute when supply costs are low, and extract from and credit ratepayers when costs are unexpectedly high. Table 3 summarizes some key differences between CCAs, Retail Choice, and MLPs in Massachusetts.

The Competitive Electric Supplier Market in Massachusetts. Bosco, Jenifer. National Consumer Law Center. April 2018. Available at https://www.nclc.org/wp-content/uploads/2022/09/competitive-energy-supply-report.pdf.

[44] Retail "Choice" in Electricity Markets: A Bad Deal for Consumers and the Climate. National Consumer Law Center. March 2023. Available at: https://www.nclc.org/resources/retail-choice-in-electricity-markets-a-bad-deal-for-consumers-and-the-climate/.

[45] Economic Benefits of MLPs. Massachusetts Municipal Wholesale Electric Company (MMWEC). Available at https://www.mmwec.org/who-we-are/economic-benefit-mlps/.

Table 3. Summary comparison of CCAs, Retail Choice, and MLPs

	Contract & Procurement Type	Delivery Period Length	Rate Compared with Basic Service
CCAs	Full service	12–36 months	Tends to be lower
Retail Choice	Full service	Unknown, possibly in line with Basic Service and CCA contracts	Tends to be higher
MLPs	Mostly blocks, with some spot market purchases (<20%)	10–25 years	Tends to be lower

Notes: MLPs vary significantly in procurement approaches and processes. This table describes the general procurement pattern for MLPs, but it is by no means the rule for all.

Non-residential customers

In addition to residential customers, EDCs are also required to procure electricity to supply commercial and industrial (C&I) customers. Broadly speaking, there are two kinds of C&I customers, small and large.[46] In most situations, the Basic Service supply rate for small C&I customers resembles the residential rate. Supply for these load classes is purchased in the same general way as residential Basic Service, albeit with different parameters used to reflect the size and load shapes of this customer group.[47] As with residential customers, only about 30–40 percent of small C&I customers remain on Basic Service, with about an equal number of customers obtaining power through CCAs or directly through competitive supply. Each of these customer groups is likely to face the same overpayment issues described above.

Larger C&I customers have a different procurement schedule, where EDCs purchase supply on their behalf every three months, rather than six months.[48] These customers also have different load profiles and energy needs. While these factors might suggest that large C&I Basic Service rates differ substantially from residential and small C&I rates, we find that over the long term, they have not. From 2021 through 2025, monthly Basic Service rates for large C&I customers varied by ±6 percent across National Grid, Eversource (NSTAR), and Eversource (WMECo). As a result, it is likely that these large C&I customers faced the same retail premium issues as residential Basic Service customers.

However, a large number of large C&I customers (50–70 percent) purchase power directly through Retail Choice. Furthermore, unlike residential or small commercial customers, it is possible that some large C&I customers are able to directly self-supply through spot market purchases and/or bilateral

[46] Depending on the EDC, large C&I customers may be grouped into different geographic regions. A fourth customer type, streetlighting, represents a small number of kWh and customers.

[47] For more information on this, see https://www.mass.gov/info-details/basic-service-information-and-rates.

[48] Pricing and Procurement of Default Service, Order DTE 02-40-B. Note that the Department of Telecommunications and Energy (DTE) was the former name for the DPU.

contracts and power purchase agreements (PPAs), as these customers are large and may have teams dedicated to procuring the lowest cost of energy.

Estimating the impact

Although less data is readily available for non-Basic Service customers, we aggregated data published by the Massachusetts Interagency Rates Working Group, along with other data sources, to estimate the retail premiums for non-residential and non-Basic Service customers.[49] Altogether, we find the difference between retail rates and estimated market costs of electricity for all residential and small C&I customers served by EDCs in Massachusetts from 2015 to 2024 exceeded $12 billion (see Figure 9).

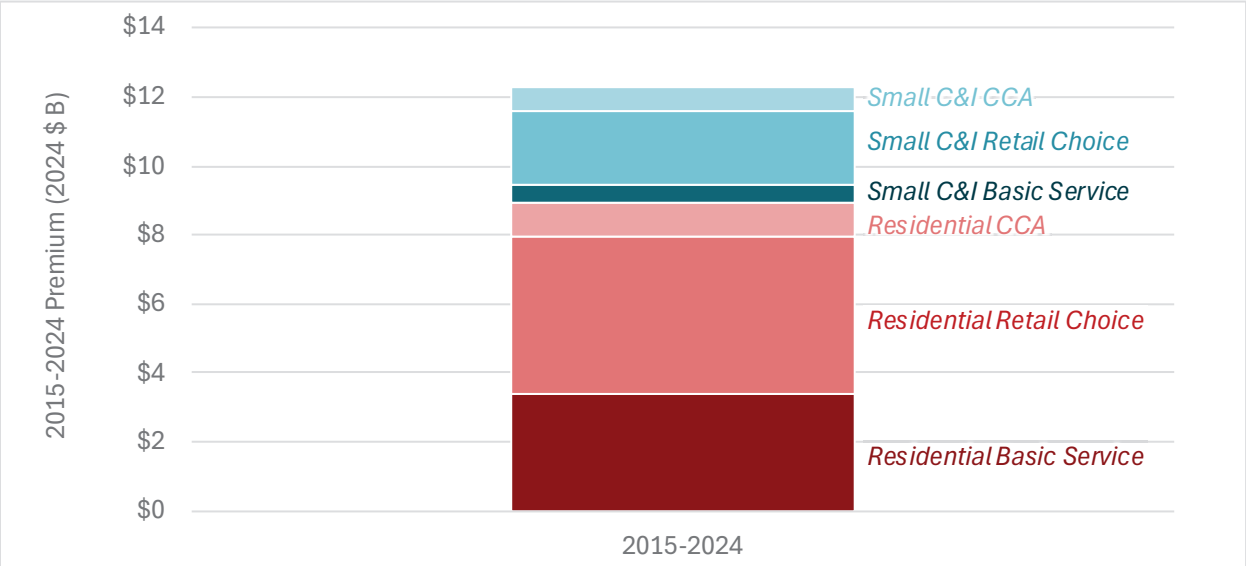
Although only 10–20 percent of customers since 2005 have been on Retail Choice, they have the largest cumulative overpayment. As noted above, along with facing the same factors that create high retail premiums for Basic Service customers, there are other known reasons why Retail Choice supply rates are particularly high.

We also note that the premiums cumulatively paid by CCA customers are smaller than the Basic Service premiums. While CCAs now serve about half of all residential customers, they are a relatively recent phenomenon; as recently as 2015, CCAs likely served only 10 percent of all residential customers.[50] Part of the reason the CCA share of cumulative overpayments is small is because CCAs did not exist at scale for much of this 2015–2024 time period. Nevertheless, as shown in Figure 9, until the state implements reforms to Basic Service procurements, CCAs likely represent the best way for Massachusetts residential customers to reduce their supply costs.

[49] Massachusetts Interagency Rates Working Group. Residential Rates Database. Published May 2024. Available at https://www.mass.gov/doc/massachusetts-residential-electricity-rates-database/download.

[50] While detailed CCA customer counts are only available from EEA starting in 2021, we combined data on when CCAs were enacted and population data from U.S. Census to estimate the number of customers enrolled in CCAs back through 2005.

Figure 9. Total residential and small C&I premiums, 2015-2024



Notes: CCAs: Average CCA rates were calculated using the Massachusetts Interagency Rates Working Group's Residential Rates Database*. We estimate that these rates were about 2 cents per kWh lower than Basic Service rates for the period analyzed by the Interagency Rates Working Group (2019-2022), inclusive of the purchase of any additional RECs or clean energy products (a common inclusion in many default CCA rates). We apply these rates to the entire study to develop a first-order estimate. Retail Choice: Using the same* Residential Rates Database*, we estimate that the additional cost paid for by Retail Choice customers for supply was about 4 cents higher than Basic Service supply, over 2019 to mid-2023. We applied this same additional cost to Basic Service costs throughout our entire study period to estimate the cost paid by Retail Choice customers. Small C&I: Less data is available on rates paid by C&I customers enrolled in CCA or Retail Choice programs. Because Basic Service costs for these customers are similar to those paid by residential customers, we use the same assumptions for CCA and Retail Choice rates as residential consumers. Others: We have not estimated risk premiums paid by large C&I customers, MLP customers, or other customer types.*

4. LEARNING FROM OTHER STATES

Across the United States, 13 jurisdictions (Massachusetts, 11 other states, and Washington, DC) have deregulated their electricity markets and rely on competitive procurements to set Basic Service rates (or their equivalent). States vary widely in terms of procurement frequency, length, process, and governance (see Table 4 and Table 5), but there are many commonalities with Massachusetts' approach:

- Ten other jurisdictions authorize EDCs to provide Basic Service and run the procurement process. The exceptions are Maine and Illinois.[51]

- Ten other jurisdictions require full-service requirement contracts for default service customers, while two (Illinois and New York) procure blocks of power instead, and supplement those with spot market purchases. Additionally, two small utilities in Pennsylvania procure blocks of power instead of full-service contracts. Supplying blocks rather than full service leads to lower prices, is simpler for suppliers, and facilitates competition, but requires more active management and can increase price volatility.

- Eight other jurisdictions keep bids confidential; the rest (Delaware, New Jersey, Ohio, and Pennsylvania) use reverse auctions, which generally offer greater price transparency, since bidders submit increasingly lower bids until time runs out or no further bids are made.

- Eight other jurisdictions allow CCAs, but four do not (Connecticut, Delaware, Maine, and Pennsylvania).[52] All allow Retail Choice (where competitive retail suppliers directly sell electricity supply to residential customers).[53]

- Seven other jurisdictions have more than one procurement for the same delivery period. This is a way to diversify and mitigate price uncertainty and volatility. Maine, New Hampshire, New Jersey, New York, and Washington, DC, do not do this.

There are other procurement elements that are more varied across states, or where Massachusetts is in the minority.

- Some states, including New Hampshire, Delaware, and Ohio, hold procurements every six months like Massachusetts, but others hold them every quarter or annually. Similarly, the length of contract terms varies greatly, from three months to three years.

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[51] Exeter Associates. 2024. *Solicitation and Procurement of Default Electric Service in New Hampshire.* Prepared for the New Hampshire Department of Energy. Available at: https://www.energy.nh.gov/sites/g/files/ehbemt551/files/inline-documents/sonh/inv-2023-001-doe-final-report.pdf.

[52] Id.

[53] 21st Century Power Partnership and NREL. August 2017. "An Introduction to Retail Electricity Choice in the United States." Available at: https://docs.nrel.gov/docs/fy18osti/68993.pdf.

- In contrast to Massachusetts, seven states have an independent agency that runs elements of the procurement process (e.g., the Illinois Power Agency; see case study) or acts as a market monitor that oversees the process. The rest have neither.
- As in Massachusetts, in New Hampshire, Maine, Connecticut, and potentially in other restructured states, EDCs can be directed to make spot market purchases in the case of a failed residential Basic Service solicitation.

Table 4 and Table 5 provide a more detailed summary of the procurement process and methods across all 13 deregulated jurisdictions.[54]

Case study: Illinois Power Agency

In Illinois, a central agency called the Illinois Power Agency (IPA) runs the procurement process on behalf of Basic Service customers and procures blocks of power (e.g., a certain quantity of MWh for a certain $/MWh price)—in contrast to Massachusetts, where suppliers sign full-service contracts to cover 100 percent of load, 100 percent of the time, for fixed monthly prices. In Illinois, the EDCs make up the difference between the purchased blocks and hour-by-hour load fluctuations via spot market purchases. As an independent administrator, the IPA is charged with keeping prices and price volatility low, and it even uses a bid price ceiling when it runs procurements.[55] Another key difference with Massachusetts is that Illinois customers receive a "Purchased Electricity Adjustment" true-up on their bill when actual electricity supply costs come in under—or over—the billed amount.[56] Historically, this true-up had a collar to prevent excessive price swings, but this collar has been eliminated. Notably, while in Massachusetts there are relatively few Basic Service suppliers, the IPA typically receives over 10 bids per procurement and is not concerned about a lack of competition.[57] Experts we interviewed commented that since blocks of power are simpler to procure than full service contracts, and pose less risk for suppliers, states that procure blocks of power may see a higher number of unique bidders and lower prices.[58]

[54] We relied on Exeter Associates' 2024 report to construct these tables. This report notes that New York state provides very little public information about electric supply procurement.

[55] We do not recommend implementing a price ceiling. According to our November 2025 conversation with academics from Ohio State University, there is a long literature on the distortionary effects of price ceilings.

[56] Plug In Illinois. "Price to Compare – ComEd." Available at: https://icc.illinois.gov/api/web-management/documents/downloads/public/pluginillinois/HistoricalPriceToCompare.pdf.

[57] Synapse conversation with representatives from IPA, November 2025.

[58] Synapse conversations with representatives from IPA, Ohio State University, utilities in Vermont, and other organizations, November 2025.

Table 4. Residential Basic Service procurement entities and timing details in restructured states

State	RTO/ISO	Provider	Procurement Entity	Frequency	Lag between Pricing & Delivery Start	Delivery Period Length
MA	ISO-NE	EDC	EDC	Biannually	2–10 months	12 months
CT		EDC	EDC	Quarterly	3–14 months	6 months
ME		Retail supplier	PUC	Annually	3 months	12 months
NH		EDC	EDC	Biannually	2 months	6 months
RI		EDC	EDC	Quarterly	2–6 months	6 months
NY	NYISO	EDC	EDC	Utility-dependent	Utility-dependent	Utility-dependent
DE	PJM	EDC	EDC	Biannually	5–7 months	24 months
DC		EDC	EDC	Annually	~3 months	36 months
MD		EDC	EDC	Quarterly	3–17 months	3-24 months
NJ		EDC	EDC	Annually	4 months	3 years
OH		EDC	EDC	Biannually	2–11 months	12, 24 or 36 months
PA		EDC	EDC	Quarterly or biannually	2–8 months	3-12 months
IL	PJM/MISO	IPA & EDC	IPA	Biannually & as needed	A few months	3 years, with long-term contracts and spot

Table 5. Residential Basic Service procurement methods, products, and oversight in restructured states

State	Procurement Method	Full-service requirements or blocks	Spot market purchases	Independent monitor	CCAs allowed
MA	Confidential bids	Full service	Rare or never	No	Yes
CT	Confidential bids	Full service	Rare or never	Yes	No
ME	Confidential bids	Full service	Rare or never	No	No
NH	Confidential bids	Full service	Rare or never	No	Yes
RI	Confidential bids	Full service	Rare or never	No	Yes
NY	Utility-dependent	Blocks	Yes	No	Yes
DE	Reverse auction	Full service	Rare or never	Yes	No
DC	Confidential bids	Full service	Rare or never	No	Yes
MD	Confidential bids	Full service	Rare or never	Yes	Yes
NJ	Reverse auction	Full service	Rare or never	Yes	Yes
OH	Reverse auction	Full service	Rare or never	Yes	Yes
PA	Varies by utility	Varies, full-service more common	Varies, uncommon	Yes	No
IL	Confidential bids	Blocks	Yes	Yes	Yes

In addition to comparing restructured states, we also investigated electric supply procurement in Vermont, New England's only non-restructured state. In Vermont, vertically integrated utilities regulated by the state procure electricity on behalf of their customers. They own generation assets,

engage in long-term power purchase agreements (often with specific renewable energy projects) and, to a lesser extent, procure shorter-term (e.g., one- to five-year) blocks of energy. The utilities do not procure full-service, load-following contracts because they see those products as too expensive. Instead, they procure other products and dedicate more resources to mitigating price volatility by evaluating contract pricing and monitoring wholesale market prices.[59]

We have not yet conducted detailed analysis of retail premiums in other states. However, research performed by others indicates that New Hampshire's Default Service had premiums of 32 percent from 2018 to 2023,[60] and Ohio's Standard Service Offer had premiums of 40 percent from 2010 to 2022.[61] As noted earlier, Massachusetts Basic Service had retail premiums of 43 percent in 2015–2024.

[59] Conversation with representatives from utilities in Vermont, November 2025.

[60] Exeter Associates. 2024. Solicitation and Procurement of Default Electric Service in New Hampshire. Prepared for the New Hampshire Department of Energy. Pages 33, 36, 52. Available at: https://www.energy.nh.gov/sites/g/files/ehbemt551/files/inline-documents/sonh/inv-2023-001-doe-final-report.pdf.

[61] Dormady N., A. Roa-Henriquez, M. Hoyt, M. Pesavento, G. Koenig, W. Welch, Z. Li. 2025. "How are retail prices formed in restructured electricity markets?" *Energy Economics* 143. Available at: https://doi.org/10.1016/j.eneco.2025.108243.

5. POTENTIAL POLICY SOLUTIONS

Massachusetts and other states seeking to reduce the retail premium have several strategies at their disposal. Each comes with benefits and trade-offs, as the key is to balance exposure to high prices and volatility (i.e., through hedging strategies that may incur a premium) and having customers pay the actual cost of electricity supply. Table 6 provides an overview of four of these key strategies, which could be pursued independently or together. The rest of this chapter discusses each in more detail.

Table 6. Summary of recommended strategies

Strategy	Advantages	Challenges
Spot market purchases and reconciliation	Would allow cost of supply charged to customers to more accurately reflect actual costs of supply.	Increased complexity would require additional involvement and technical skill development by the purchasing entity, which could initially offset some of the cost savings. Could face issues related to increased price volatility and temporal cost-shifting without proper design. Would require the creation of a rate stabilization fund and other reconciliation processes. Would likely require a regulatory change to be implemented via DPU.[62]
Block purchases	Would move some of the risks associated with pricing and volumes from suppliers to the purchasing entity, minimizing the risk premiums embedded in offer prices.	Increased complexity would require additional involvement from the purchasing entity, which could initially offset some of the cost savings. Also requires some spot market purchases, necessitating a reconciliation process. Would likely require a regulatory change to be implemented, via DPU.
Changing the purchasing entity	Would allow for dynamic strategies that mix longer-term supply purchases and/or other contracting structures (e.g., blocks) with spot market purchases based on changing market conditions. An independent agency or market monitor could have a mandate to minimize consumer costs and price volatility.	Would likely require a legislative change to be implemented.[63] Creation and development of the new entity would involve upfront and ongoing costs, which could initially offset some of the cost savings.
Long-term purchases of clean energy	Currently legally required and practiced in Massachusetts. Long-term clean energy contracts typically less costly than historical supply, with prices that are locked in for many years (see Table 7, below). Resources also reduce greenhouse gas emissions and suppress wholesale energy prices.	Volatile federal government decision-making inhibits the Commonwealth's ability to pursue certain resources and created major uncertainty about future supply.

[62] The current statute requires that at least some electricity is procured through competitive bidding. G.L. c. 164 § 1B(d) or General Laws, Part 1, Title XXII, Chapter 164, Section 1B: Service territories for distribution companies; rates. Available at: https://malegislature.gov/Laws/GeneralLaws/PartI/TitleXXII/Chapter164/Section1B.

[63] The current statute currently states that "the distribution company shall procure such service." Id.

5.1. Spot market purchases and reconciliation

One strategy involves allowing customers to be charged the actual cost of electricity by purchasing energy directly from ISO New England's spot market, then managing this volatility through a rate reconciliation mechanism, at least for a portion of their load. In this strategy, EDCs would reduce the share of electricity bought through multi-month contracts, and instead purchase at least some electricity in the spot market: from just 5–10 percent to 100 percent.

In this approach, price volatility could be managed with a rate reconciliation mechanism, where prices are set for a six-month period (or similar) based on expected costs, and then adjusted for the next rate period based on actual costs. This action could be supplemented by a fund that manages wholesale market price spikes, similar to many MLPs' approach. For instance, customers could contribute to such a fund by paying a retail rate that is slightly above the expected cost in the beginning phase of this approach. As this fund grows, more and more of the Basic Service load can be purchased from the spot market. During times when the spot market prices are particularly high, this fund could be used to weather those high prices, managing volatility and protecting customers against high market prices, with reduced premiums offsetting the initial start-up cost. This approach requires technical expertise and staff resources to manage the spot market purchases and develop a rate reconciliation and stabilization process.

We note that the DPU does allow for some limited reconciliation of supply costs. For example, all customers—whether they are on Basic Service or on some other plan—pay a Basic Service Adjustment Factor on their electric bills. This factor encompasses costs such as bad debt, working capital, contract execution and negotiations, communications to customers, and other costs. In addition, in some recent situations, when EDCs have not been able to obtain competitive supply bids for retail service, they have set an estimated retail price, self-supplied via spot market purchases, and reconciled with their customers.[64] Unfortunately, although this reconciliation process is for Basic Service costs, the overcharges and/or undercharges are refunded/charged across *all* customer types, not just those on Basic Service. This violates core rate design and cost causation principles, and would need to be modified for any future reconciliation process to achieve fairness for all customers. Any future Basic Service reconciliation rates should only be charged/credited to Basic Service customers, not all EDCs' customers.

5.2. Block purchases

Another approach involves EDCs purchasing blocks of power from suppliers, instead of the full-service requirement now used in Massachusetts. Under this approach, EDCs identify many buckets of load to be

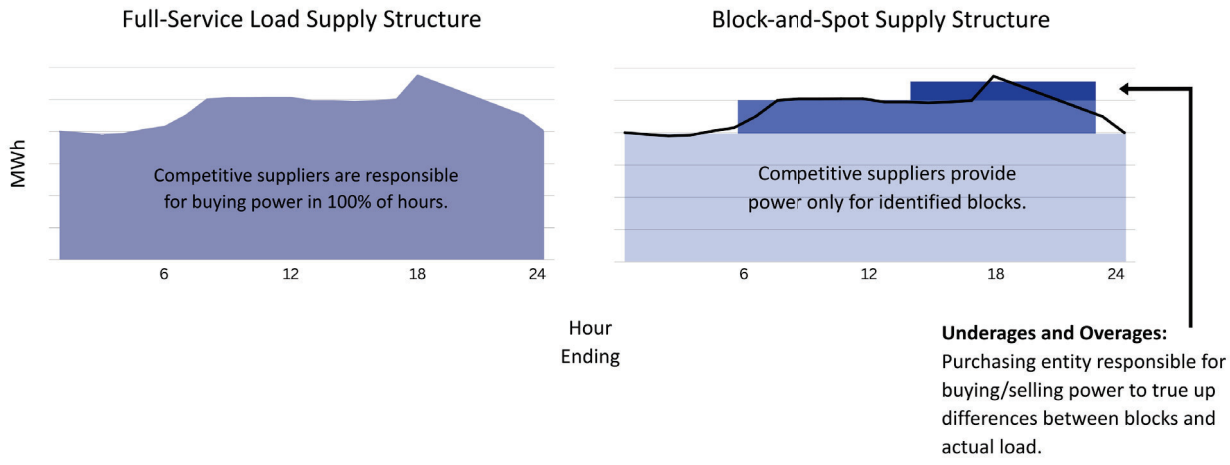
[64] Petition of Fitchburg Gas and Electric Light Company d/b/a Unitil for Approval of Basic Service Rates for December 1, 2022 through July 31, 2023, Order DPU 22-BSF-A4. September 14, 2022. Available at: https://fileservice.eea.comacloud.net/V3.1.0/FileService.Api/file//ggdhaijj?xmbibX/Y7XqCsZu+PO0x2mFJ0ioKRMXdZYr4j7j/42qk9v9pxUxyG6LkaCeWBSjqbmMlNqhcSkxPf0qUr1gASPKrYE1qejvebf677PtCVStUdHoHpEGELGLGjR+ZpYgt.

competitively procured. Each block has both a fixed MWh amount and a time to deliver (e.g., 12–4 PM in the summer) and a fixed MWh price (prices are determined through the competitive bidding process). Any differences between the blocks of purchased MWh and actual real-time load requirements are trued up via purchases in the spot market.

In the full-service approach, suppliers are responsible for meeting load instantaneously at whatever the market price is, meaning they are exposed to substantial risk from price and load volatility. The block approach drastically reduces the risk to suppliers, as they are simply selling a known quantity of electricity at a known price (akin to a PPA). As a result, premiums associated with block approaches typically only include a supplier profit margin and transaction costs, rather than an unknowable "risk" premium. Figure 10 illustrates the core differences between these two purchasing approaches.

This is similar to how power is procured in Illinois and New York, and by MLPs in Massachusetts. This approach requires more active portfolio management and technical expertise and staff resources to manage the spot market purchases. There would also need to be a reconciliation charge (as described above) to manage volatility from spot market purchases.

Figure 10. Full-service pricing vs. block purchases



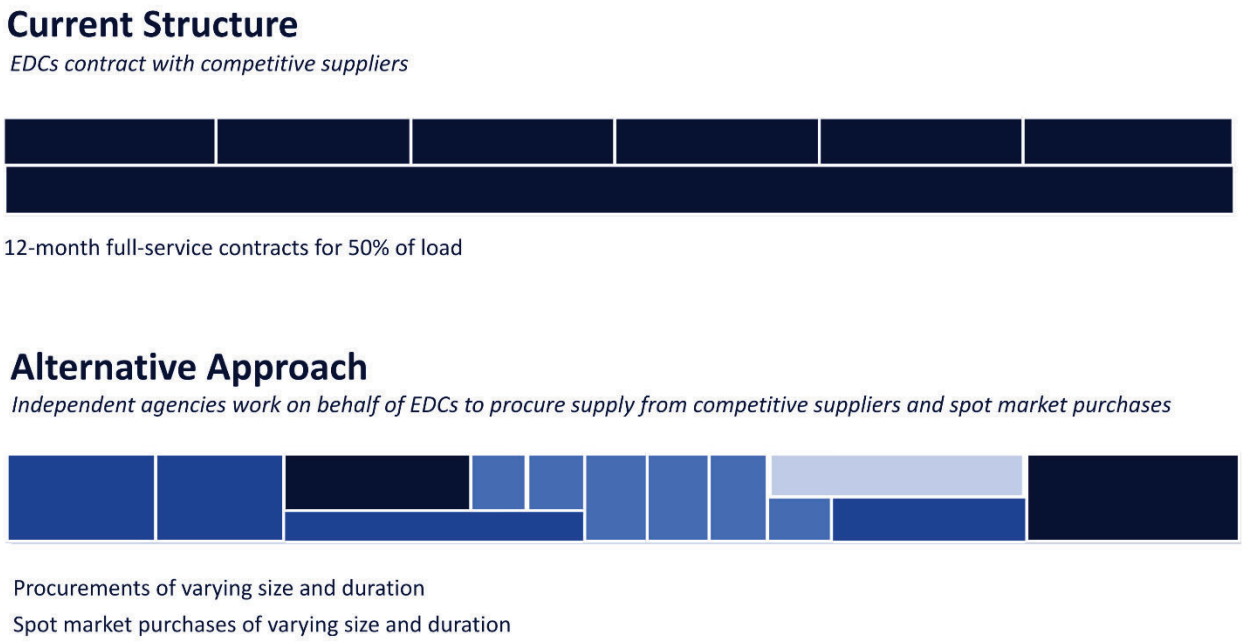
5.3. Changing the purchasing entity

Under current Massachusetts law, EDCs are the entities responsible for procuring supply. However, as noted above, other states use different approaches. Massachusetts could similarly delegate responsibility for procurement to an independent state entity or agency (see Figure 11). In Maine, the PUC is responsible for purchasing supply on behalf of Standard Offer customers; in Illinois, an independent state agency, the Illinois Power Agency, purchases supply. If New England states were interested in pooling resources and procuring supply together, they could do so through a regional

entity.[65] This approach may be particularly beneficial when combined with long-term contracts, block purchases, and/or spot market purchases, which require additional technical expertise. One agency could be responsible for developing such processes, rather than each EDC doing so independently.

Under this approach, the non-EDC entity would be responsible for all products: energy, capacity, ancillary services, and RECs (or similar products). Alternatively, the agency could buy all energy and ISO products, while the EDCs continue to purchase RECs. A state agency with a mandate to manage consumer costs is likely to do a better job at reducing premiums and total costs than EDCs. If utilities were the ones to manage these spot market purchases, they would likely charge carrying costs that are passed onto customers. If an independent state agency were to manage such a process, it would not need to impose these additional costs.

Figure 11. Current and alternative structures for purchasing supply



5.4. Long-term purchases of clean energy

Increasing the amount of clean energy purchased via long-term agreements could act to hedge more volatile hourly market prices while also allowing Massachusetts to meet its clean energy goals. Massachusetts state policy currently allows for a number of contracting mechanisms to procure clean energy, at a known price that lasts for ten or more years. These mechanisms include long-term contracts for large-scale wind power generation (as with Vineyard Wind) or hydro (such as the NECEC line from

[65] Some states already have the authority to jointly procure energy products (renewable energy, transmission, etc.). A shared agency would reduce administrative costs for each individual state and could decrease risk associated with serving small pools of customers that tend to have similar market costs. We note that this entity could also be responsible for purchasing long-term contracts for clean energy, discussed below.

Canada), investment in energy efficiency (which produces long-term reductions in wholesale electricity purchases, for an upfront cost), and investments in solar power and storage (which are funded by ratepayers via a variety of state policies).

Table 7 shows how the historical cost of supply compares with alternatives, with a focus on contracts with large-scale renewables, as these are the most apt comparison with supply purchases. Over the most recent five-year period, we observe that the retail supply cost from competitive suppliers totaled $160 per MWh. Meanwhile, the clean energy alternatives each cost slightly more than $100 per MWh. Although this is only a partial comparison (as each of the supply alternatives shown has a distinct load profile that may not necessarily be exactly the same as residential Basic Service demand, and EDCs may earn renumeration related to these long-term contracts), it highlights the degree to which these alternatives can lock in prices that are substantially lower than the historical cost of supply.

Table 7. Historical costs of supply (2020-2024) compared to alternatives

	All-in Cost	Price of sold RECs	Energy	RPS Compliance	Capacity and Misc.	Premium	Retail Supply
Historical supply	-	-	$54	$30	$32	$44	$160
Offshore wind	$84	-$40	$44	$30	$32	-	$106
Canadian hydro	$74	-$35	$39	$30	$32	-	$101

Notes: All values are in 2024 $ per MWh. Costs of solar, storage, and energy efficiency programs are not estimated due to the complex nature of their costs. For offshore wind and Canadian hydro, we assume that the "All-in cost" includes RECs covering 100 percent of energy, which is more than is needed to satisfy current RPS requirements. For purposes of comparing costs with historical supply, we assume that RECs generated from these projects are sold onto the market at recent historical prices. Then, RECs that satisfy the compliance requirements are purchased. For purposes of simplicity, we assume that capacity and miscellaneous costs are the same as with historical supply, although it is possible that these values may vary.

Increasing investment in these resources would allow Massachusetts ratepayers to lock in a known price for many years. Price certainty has been a long-standing goal for Massachusetts, the DPU, and the EDCs. The costs of these resources are typically not placed in the supply component of customer bills, but are instead placed into the delivery component, where they are paid for by all customer types (i.e., Basic Service, CCA, and Retail Choice). This explicit accounting allows interested consumers to more easily see the costs associated with these supply options, but may also make it more challenging to compare these resource costs to the cost of competitively-purchased supply.

Clean energy resources offer multiple benefits. They help the Commonwealth to achieve its greenhouse gas emission reduction targets and improve local air quality. They also help suppress prices, because these resources have zero marginal operating costs, so they tend to reduce the clearing price paid for wholesale energy. This reduces the energy costs paid by competitive suppliers, and also likely reduces the risk associated with volatile pricing swings driven by national or global natural gas markets.

5.5. Other considerations

There are additional factors to consider in assessing strategies to reduce retail premiums:

- None of these strategies would preclude the existence of CCAs or Retail Choice—customers (or municipalities) could still choose to purchase their own supply (along with additional clean energy products, if desired). For example, Illinois, a state with an independent procurement agency, block purchases, and bill reconciliation for Basic Service customers, still has active CCAs and Retail Choice.

- While CCAs and Retail Choice customers would not be directly affected by changes to Basic Service procurement, they would likely see indirect impacts.

    - First, Retail Choice prices would likely fall to attract customers now paying lower Basic Service rates—or else it would be even more obvious that switching would be a bad financial decision.

    - Second, the savings currently obtained by CCA customers may be diminished. Because CCA bids are often solicited after Basic Service prices have been set, introducing more real or perceived uncertainty into Basic Service may make it more challenging to obtain a supply rate that is clearly lower than the Basic Service rate. In other words, although CCAs represent the best possible way to avoid high costs of electricity supply under the current system, lower Basic Service rates may diminish these relative savings, in the absence of CCAs pursuing other methods to drive costs lower.

- A spot purchase-and-reconciliation strategy would involve some temporal cost-shifting, as costs incurred in one period would be paid for in a different period. However, that already occurs to some extent under the current Basic Service structure. Most customers now pay a constant price for a six-month period, and that price is a weighted average of the expected prices and loads for the period. This means that customers are already paying higher prices in some months to cover costs in other months. Policymakers should seek to balance cost-shifting and low rates when considering best practices in ratemaking.

- Under several of the strategies discussed above, capacity, RECs, and other supply products might need to be procured separately from energy.[66] However, as ISO New England shifts to a near-term capacity market in June 2028, possibly introducing increased uncertainty into capacity prices, reforms for the capacity component may also need to be considered.

- There are other possible strategies, such as additional procurement tranches and laddering (i.e., segmenting procurements into a larger set of temporally-differentiated products, and/or additional procurement events that each represent less than 50 percent of customer load), or better regulation of suppliers. However, we have chosen

[66] As described in Chapter 2, in many instances RECs are already being purchased by EDCs separate from supplier bids.

to focus on those strategies that are most likely to be practically implemented and to have a sizeable effect on retail premiums in Massachusetts.[67]

5.6. New strategies can lead to savings

In order to estimate how adopting those strategies might play out for Basic Service customers in Massachusetts, we modeled two scenarios for Basic Service, using historical data:

- The **Actual** scenario uses the statewide weighted average Basic Service retail price as the cost of electricity charged to customers. Just as it was in reality, any costs that exceeded the market cost of electricity were not refunded to customers.
- The **Alternative** scenario—a counterfactual—imagines what would have happened if Massachusetts had relied on a mix of competitive procurements and spot market purchases. This scenario resembles the procurement structures in Illinois and New Hampshire, assuming the level of spot market purchases in use in New Hampshire in 2025.[68]

The differences between the Actual and Alternative scenarios are:

- We assume that 50 percent of supply is purchased through spot market purchases, in line with recent percentages being purchased by EDCs in New Hampshire. For this portion of supply, customers are charged (or refunded) for any differences between actual costs and the retail rate. The differences are tallied over six-month periods, and are then charged or refunded to customers over the subsequent six-month period.
- We assume that the 50 percent of supply obtained through spot market purchases avoids the estimated "bid premium" observed in Massachusetts Basic Service Filings. This bid premium—which, as discussed in Chapter 2.1, only partly overlaps with what we call the "retail premium"—is an explicit markup applied only to energy and capacity costs, and is meant to be inclusive of risk, profit, ancillary service costs, ISO administrative fees, transmission and distribution losses, and other charges.[69] This scenario is intended to simulate a situation in which a new procurement structure (i.e.,

[67] For an extended discussion of other possible strategies, see section V.B in *Solicitation and Procurement of Default Electric Service in New Hampshire*. Exeter Associates. March 28, 2024. Available at https://www.energy.nh.gov/sites/g/files/ehbemt551/files/inline-documents/sonh/inv-2023-001-doe-final-report.pdf.

[68] NH PUC DE 24-046. Order No. 28,129 Approving Modifications to Energy Service Procurement. April 15, 2025. Available at https://www.puc.nh.gov/VirtualFileRoom/ShowDocument.aspx?DocumentId=b7e85002-4c05-4a40-90f8-a3bbedb4bad5.

[69] We assume that this value is 32 percent. See DPU 25-BSF-A2. Petition of Fitchburg Gas and Electric Light Company d/b/a Unitil for Approval of Basic Service Rates for August 1, 2025 through January 31, 2026. June 13, 2025. Proposed Basic Service Confidential Filing. Table 7 – Expected Bid Prices. Available at https://fileservice.eea.comacloud.net/V3.1.0/FileService.Api/file//aedfjfihe?VnMAQdp3DdiEgoqcn/bBL2Zw4DJKmGuEPwz9YhdTp02PcSxl+blU344Khxm+qpOeg0hKFj9M9l/xQR8+/8GqPvdGgrFe6XR6nglfa80wd3rxFD8G4j981M2Rna9aVTXA. We note that this "bid premium" is not necessarily equal to the estimated retail premium discussed elsewhere in this document, as it does not take into account differences between energy futures and actual energy pricing, or any other differences that may materialize between the retail supply rate and actual market costs of energy.

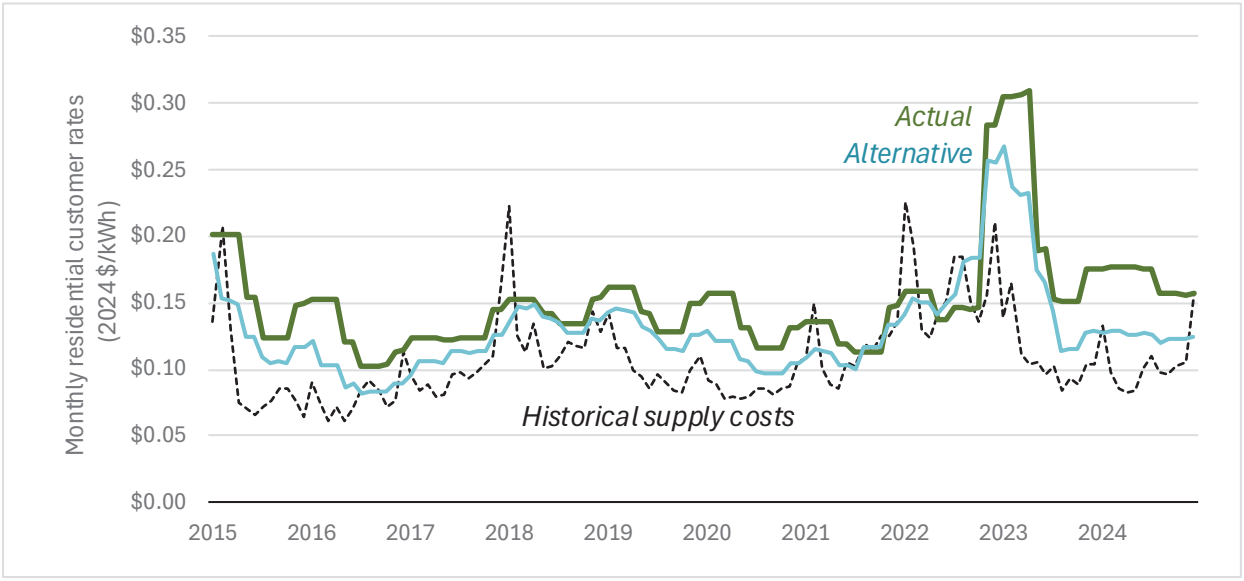
an independent state agency running procurement) is able to avoid many of the premium costs included in suppliers' bids.[70]

- We assume the other 50 percent of supply is competitively procured, with retail prices identical to the Actual scenario. For purposes of simplification, we assume the full contract for this tranche is awarded to one bidder. We assume no reconciliation process for this tranche.

Figure 12 shows how monthly residential Basic Service supply costs would have differed under the Actual and Alternative scenarios over the period 2015–2024. In the Alternative scenario, consumer rates would have been lower in 110 out of 120 months (92 percent). In many cases, because the historical approach to rate-setting results in overcharges to customers, customers receive a refund in the following period. This refund is offset somewhat by the subsequent period's overcharge, and so on.

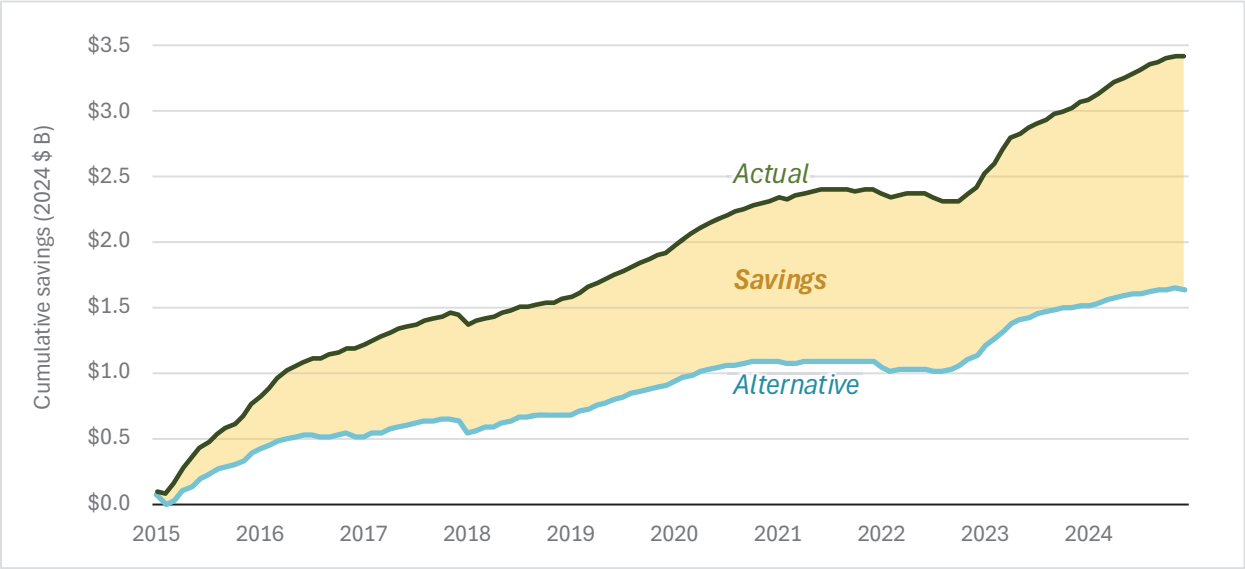
We find that from 2015 through 2024, Basic Service customers in Massachusetts could have saved nearly $1.8 billion using these strategies (see Figure 13), or about $12 per month.

Figure 12. Estimated monthly residential Basic Service rates, Actual and Alternative scenarios



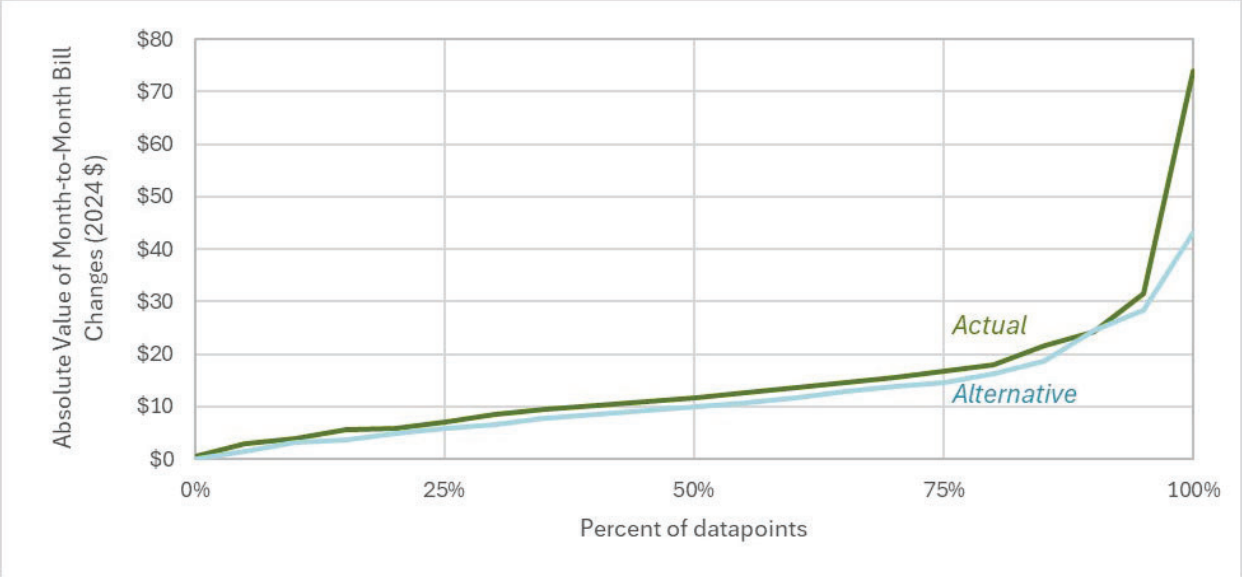
[70] We note that some of these costs are likely unavailable (such as credit or carrying costs) and that a new procurement structure would likely incur some new costs (e.g., the funding of staff to run such an agency). On the other hand, the EDCs' costs of running procurements could be avoided, and it is possible that the non-self supply bid premiums could be reduced as a result of the new procurement agency—i.e., the state—taking on some of the risk associated with buying Basic Service.

Figure 13. Cumulative residential Basic Service premium savings from Alternative scenario



Given the theoretical usefulness of hedging against market price volatility, it could be supposed that a switch to a high reliance on spot market purchases could make prices more volatile, harming customers. However, we find the opposite. In terms of month-to-month bill changes customers are actually better off in the Alternative scenario than in the Actual scenario (see Figure 14). This is inclusive of both ways customers actually experience price volatility: price changes (which occur on a six-month basis) and monthly changes in electricity consumption due to changing seasons. In the Actual scenario, 50 percent of all month-to-month bill changes are less than ±$12. Meanwhile, in the Alternative scenario, where prices are lower, 50 percent of all month-to-month bill changes are less than ±$10.

Figure 14. Distribution of month-to-month bill changes



Note: This figure presents month-to-month bill changes in absolute value terms. In other words, a month-to-month bill change of -$10 will be counted the same as a month-to-month bill change of +$10.

Analysis caveats

This analysis assumes that there is no change to the historical number of Basic Service customers or kWh sales. In reality, if Basic Service rates were lower, there would likely be fewer customers switching to CCAs or Retail Choice.

This analysis assumes that changes to the quantity of electricity procured through hedged procurements do not impact the wholesale clearing price of energy. In reality, it is possible that reduced quantities of hedged purchases could change the behavior of generators, who may have signed contracts with competitive suppliers and take these contracts into account in their bidding behavior.

While we have modeled a single level of spot market purchases (50 percent), we observe that the math employed in this analysis means that the share of spot market purchases is directly proportional to the amount of savings observed. In other words, if only 25 percent of supply were purchased through spot market purchases in the Alternative scenario, customers would likely save around $6 per month. We note that Massachusetts MLPs and other organizations typically do so in percentages smaller than 50 percent, but also note that Eversource New Hampshire is currently making spot purchases of 50 percent. An independent third-party entity could scrutinize market signals and make dynamic decisions over the course of a year to balance the advantages of hedging and spot market purchases.

6. CONCLUSIONS AND NEXT STEPS

On average, Basic Service residential customers have paid an extra $22 per month over the past 10 years—a hidden, but substantial part of their bills. Without reforms, retail premiums are likely to continue.

Policymakers in Massachusetts and across the country are focused on addressing affordability of managing electricity system costs.[71] Our analysis shows that there are steps that Massachusetts policymakers can take to reduce retail premiums without sacrificing bill stability. Increasing transparency, managing risk, and refunding consumers when costs are mis-estimated are all common-sense actions taken by peer states. One set of these interventions could have reduced customer bills over the past 10 years by $12 per month. These savings may be even greater than those posited by regulators in the recent past, and are critical to consider in future policy.[72] Policy actions that can reduce these charges, alongside actions that reduce other charges (such as those that produce even higher premiums for Retail Choice customers) can make electricity more affordable without impacting other Commonwealth goals.

At the same time, these premiums likely extend beyond residential Basic Service customers in Massachusetts—to all electricity customers, and in other states. While this analysis dives deeply into observed premiums in Massachusetts, future work may benefit tracking these trends over time to determine if the current trends are continuing or abating, and from calculating premiums across states, and assess drivers that may increase or decrease premiums in each state. Additional analysis could investigate correlations between short- and long-term supplier pricing and geopolitical events that affect energy costs, as well as how well the energy futures market represents actual market prices over time.

[71] For instance, the pending House Bill H. 4144 "An Act Relative to Energy Affordability, Independence, and Innovation," sponsored by Governor Healey in May 2025, addresses the regulation of energy suppliers, among other electricity system issues. The pending House Bill 4744, "An Act relative to energy affordability, clean power and economic competitiveness," issued in fall 2025, also addresses high energy costs while supporting clean energy and economic competitiveness. Available at: https://malegislature.gov/Bills/194/H4144 and https://malegislature.gov/Bills/194/H4744.

[72] See, for example, MA DPU's December 15, 2025, opening of 25-200, An Investigation by the Department of Public Utilities on Its Own Motion into Gas and Electric Delivery Charges and Bill Redesign. Available at https://fileservice.eea.comacloud.net/V3.1.0/FileService.Api/file/aehghabij?HGpQ/JXpoS8hz2B4LtVetGeQrh7dXR/Utfj5zj+Iw7CPcSxI+blU344Khxm+qpOeg0hKFj9M9l/xQR8+/8GqPvdGgrFe6XR6ngIfa80wd3rxFD8G4j981M2Rna9aVTXA. This docket appears to focus on delivery charges, but also requests that commenters posit answers to questions including, "What other policies should the Department evaluate to reduce bill volatility?" (cf. page 20)