

Not All Energy Markets Are Created Equal

Why your state's electricity market matters more than you might think

Texas offers an instructive example of how market structure affects the relationship between data center growth and electricity prices. The state is home to one of the largest AI data center buildouts in the country, with major facilities from OpenAI, Google, and others coming online.

Texas operates under ERCOT, an energy-only market that uses real-time pricing signals to balance supply and demand, rather than the centralized capacity auction model. In 2025, Texas electricity rates rose approximately 3.8% — close to the inflation rate of 2.9% — while some PJM (serving Pennsylvania-New Jersey-Maryland) states saw increases exceeding 15%.¹¹

The comparison matters. As data center demand accelerates nationwide, market design plays a meaningful role in how those costs are distributed. Texas hasn't been immune to price increases, but its framework has produced more moderate outcomes than capacity auction markets in the northeast and mid-Atlantic.

11. Goldman Sachs, [Electricity Prices Rising by Double the Rate of Inflation](#), as reported by CNBC, February 12, 2026.

12. Goldman Sachs, [Electricity Prices Rising by Double the Rate of Inflation](#), as reported by CNBC, February 12, 2026.



THE CALIFORNIA EXAMPLE

While electricity prices jumped 6.9% nationally in 2025, California's rates rose just 2.1%, below the inflation rate of 2.9%, meaning residents effectively paid less in real terms. Significant data center growth and below-inflation rate increases can coexist.¹²

THE TRUTH ABOUT DATA CENTERS

The Real Bottleneck Nobody Talks About

Most of the energy debate around data centers focuses on how much power they consume. Here's an angle that gets far less attention: The problem was never really about how much power we can generate. It's about how much we can move from one place to another.

The grid constraint isn't generation. It's transmission and distribution. Moving that power across the grid is the bottleneck, and building the transmission infrastructure to close that gap is one of the most pressing challenges facing the energy sector today.

Experts have noted that the country could theoretically generate enough electricity to meet virtually any demand scenario. Moving that power across the grid is the bottleneck. For example:

- Dominion Energy in Virginia has faced multiyear delays getting power to new facilities because the transmission infrastructure simply isn't ready.¹³
- PG&E in California has said new substation work for large load interconnections can take five years or more.¹⁴
- All six major regional grid operators outside of Texas have reported they cannot meet federal deadlines for critical transmission upgrades.

This is a systemic infrastructure problem that pre-dates the data center industry by decades. Restricting data center development wouldn't fix it. Addressing it requires investment, planning, and honest conversation about tradeoffs. Not less digital infrastructure but smarter development of the infrastructure we need.¹⁵

13. Energy Connects, [Data Centers Face Seven-Year Wait for Dominion Power Hookups](#), August 30, 2024.

14. PG&E, [PG&E Data Center Demand Pipeline Swells to 10 Gigawatts with Potential to Unlock Billions for California](#), July 31, 2025.

15. DCD Magazine, [US Data Centers Face Grid Bottlenecks as Regional Operators Delay Upgrades](#), February 3, 2025.

THE REAL INFRASTRUCTURE CHALLENGE

The country needs more power. It also needs smarter, more modern ways to move it. That's not a data center conversation. It's a national energy conversation that is decades overdue.

