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5 Factors That Influence Electricity Pricing

The price per kWh you pay for electricity is based on seasonal averages. But the price your retail electricity provider purchases it at, the wholesale price, fluctuates by the minute.¹ Let's examine a few of the factors that impact the cost of electricity.

- **Fuels** – Electricity pricing and the oil, fuel and gas markets go hand in hand. A shift in one market can drive up the cost of production in another.
- **Supply and Demand** – In 2017, the average price per kWh small businesses paid on the island of Hawaii was 39.24 cents.² A shortage of resources, both fuels and generating stations, leads to an increase in costs. Similarly, during periods of high demand, such as the summer months and daily peak hours, the cost to provide electricity also goes up.
- **Maintenance, repair and operating costs** – This includes the costs to run generating stations (power plants), as well as repair transmission and distribution systems, which are the poles and wires that deliver electricity to your business.
- **Weather** – Unforeseen or unseasonal weather events and natural disasters create shifts in demand and volatile market prices.
- **Government regulations** – Fossil fuel regulations, new laws and changes in policy can impact production costs.

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¹ https://www.eia.gov/energyexplained/index.php?page=electricity_factors_affecting_prices

² <https://www.hawaiianelectric.com/billing-and-payment/rates-and-regulations/average-price-of-electricity>