

## Electricity Rate Design for EV Charging: Addressing Demand Charges

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*A demand charge is a fee on an electric bill for the highest rate of electricity that a commercial or industrial customer uses during a billing period. Demand charges are a significant barrier for EV fast charging stations because they use a lot of electricity in a short amount of time, driving up the cost of charging at the station until there is higher utilization. State utility regulators can approve a variety of options to mitigate the challenging early economic case that demand charges present for fast charging.*

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### Policy Applicability

☒ Passenger Cars    ☒ Medium- and Heavy Duty

### What jurisdictions have adopted policies to address demand charges?

Some state legislatures have required their relevant utility or commercial regulatory body to open dockets to explore ways to mitigate the impact of demand charges on fast charging stations, such as [New York](#), [Massachusetts](#), and [New Jersey](#).

### Example policies to consider

The actions taken by state utility regulators have led to a series of pilot programs and rate structures aimed at addressing demand charges. As a result, the following utilities in their respective jurisdictions are offering mitigating policies, including: demand charge discounts during a phase-in period: [Southern California Edison](#), [National Grid \(NY\)](#); time-of-use rates for commercial customers that do not exceed a certain kW threshold: [Portland General \(OR\)](#); replacement of demand charges with subscription fees and time-of-use rates: [Pacific Gas & Electric \(CA\)](#); and alternative discount rates that are tiered and based on the charging station's load: [National Grid \(MA\)](#).

### Other resources

Alliance for Transportation Electrification: [Rate Design for EV Fast Charging: Demand Charges](#)

Plug-in America: [Understanding Demand Charges](#)