



Retail Energy Supply Association

Glossary of Industry Terms

Affiliate: A company that is directly or indirectly controlled by, or shares the same owner as, another company.

Aggregator: A group or organization that represents a group of energy consumers to buy electricity and tries to negotiate pricing and terms that meet the specific needs or desires of that group of customers. The group of consumers is called a buying group

Avoided Cost: The incremental cost that a utility would have to incur if it did not acquire energy from another source. Thus, it is the cost of producing or delivering power that the utility can avoid by lowering capacity and energy requirements.

Base Rates: The rates utility charges to cover its non-fuel costs.

Broker: Any entity that serves as an agent or intermediary in the purchase and sale of electricity to retail customers.

Capacity: The amount of electric power that can be delivered at one time by a generating unit, generating station, or all the plants on an electric system.

Co-generator: A power plant that produces both electrical (or mechanical) energy and thermal (steam or process heat) energy.

Congestion: Transmission congestion results when transmission system operators must limit or re-dispatch generation to maintain the voltage integrity of the grid to ensure reliability. The cost of transmission congestion, assuming that demand is fixed and must be met, is the net cost of the replacement power that must be supplied by other means (e.g., from generators located closer to the loads to be served) to make up for deliveries that cannot be executed as requested.

Competition: Allowing two or more entities to sell similar goods and services, in this case electricity, in the same market.

Consumer Contract: A written agreement between a customer and an electricity supplier.

Contract Terms: The provisions of an agreement between an electricity supplier and a consumer, typically including such items as the cost, length of service, and ability to end the contract.

Cramming: The practice of adding charges to a customer's monthly bill for services that the customer has not authorized. This is an illegal practice.

Customer Choice: The ability of electricity consumers to shop, compare prices, select the kind of electricity – such as renewable electricity – they desire, the pricing plan best suited to their needs, and the retail supplier of their choice.

Default Service: The electric service provided to any consumer who does not or is unable to arrange for or maintain electric services with an electric supplier after deregulation begins.

Demand: The amount of energy used at a specific moment in time, measured in watts, kilowatts (kW=1000 watts), megawatts (mW=1000 kilowatts, or 1 million watts).

Deregulation: Government action to allow competition in any industry where historic regulated monopolies exist; sometimes used interchangeably with Restructuring.

Distribution: The process of delivering electricity through low-voltage power lines to a consumer's home or business. Distribution includes local wires, transformers, substations and other equipment used to deliver electricity from the high-voltage transmission lines to homes and businesses.

Distribution Utility: The regulated electric utility entity that constructs and maintains the distribution wires connecting the transmission grid to the final customer.

Distribution lines: Local wires, transformers, substations and other equipment used to deliver electricity to homes and most businesses.

Electric Supplier: An entity (including an electric aggregator or participating municipal electric utility) licensed by a state utility regulatory agency to provide retail electricity to consumers. With electric choice, consumers can choose their electric supplier. The power is then delivered by the consumer's electric distribution company.

Electric Utility: Any person or state agency with a monopoly franchise (including any municipality) that provides electricity, transmission and distribution services to customers.

Energy: The result of consuming power over a period of time. In electricity, measured in watt hours: 1000 watt hours = 1 kilowatt hour, or the equivalent of a 100 watt bulb running for 10 hours. Most electricity rates/prices for residential service are quoted in kilowatt-hours. In gas, measured in volumes of gas (cubic feet) or a proxy for volumes (therms, q.v.).

Energy Efficiency Programs: Tools that give consumers more control over how and when they use energy

Federal Energy Regulatory Commission (FERC): The Federal Energy Regulatory Commission regulates the price, terms and conditions of power sold in interstate

commerce and regulates the price, terms and conditions of interstate transmission services. FERC is the federal counterpart to state utility regulatory commissions.

FPA - Federal Power Act of 1935: Established guidelines for federal regulation of interstate electricity sales for resale and transmission. It is the primary statute governing FERC regulation of the electric sector.

Generation: The process of producing electricity. Generation may also refer to the amount of electrical energy produced, usually expressed in watt-hours, kilowatt-hours (kWh), or megawatt hours (MWh).

Generation Company: An entity that generates electricity.

Grid: A network of transmission and distribution lines used to deliver electricity.

Green Power: A general term that describes electricity that is environmentally friendly. It typically uses a mix of energy sources with renewable energy being at least one of the sources.

IPP - Independent power producer: A company other than a utility that operates a generation facility and sells power to suppliers for sale to retail customers.

ISO - Independent System Operator: An organization responsible for maintaining instantaneous balance of the grid system, ensuring that loads match available resources.

Kilowatt-hour (kWh): This is the basic unit of electric energy equal to one kilowatt of power supplied to or taken from an electric circuit steadily for one hour. One kilowatt-hour equals 1,000 watt-hours.

Load: The amount of power drawn from a utility system at a given point in time. The peak load is the highest amount of power drawn down at anyone time, or the utilities' maximum capacity or demand.

Load Profile: Information on a customer's energy usage over a period of time, sometimes shown in a graph format.

Market-Based Price: A price set by the mutual decisions of many buyers and sellers in a competitive market.

Marketer: An entity selling wholesale or retail power in a competitive market.

Megawatt-hour (MWh): One megawatt-hour equals one million (1,000,000) watt-hours.

Monopoly: A seller with sole control over market sales.

Non-Utility Generator (NUG): Any entity not regulated by the government as a public utility that owns or operates a generating facility and offers electric power for sale to utilities or the public (also known as Independent Power Producer).

Obligation to Serve: The obligation of a utility to provide electric service to any customer who seeks that service and is willing to pay the rates set for that service.

Off-Peak: Those periods of time when energy is being delivered far below the utility's maximum demand.

On-Peak: Those periods of time when energy is being delivered near and including the utility's maximum demand.

Peak Load: The maximum load experienced by an electric customer during a given period of time.

Peaking Capacity: Generation used in times of maximum demand.

PJM: an organization responsible for the operation and control of the bulk electric power system in thirteen states and the District of Columbia. PJM operates an efficient, effective wholesale electricity market, and manages a long term regional electric transmission planning process to maintain the reliability of the power supply system.

Power Pool: Two or more interconnected electric systems that seek to obtain greater reliability of service and efficiency of operation by coordinating the development and operation of their electric generation and transmission facilities.

Price Cap: A way of setting rates in which the utility is given a limit on the prices it may charge.

Provider of Last Resort (POLR): A company that serves as the interim provider of electricity for customers whose retail electric provider has left the market.

Public Service Commission: State agency that is responsible for regulating the state's public utilities. The Commission is overseeing the deregulation of the electric market.

PURPA - The Public Utility Regulatory Policy Act of 1978: Among other things, this federal legislation requires utilities to buy electric power from private "qualifying facilities" at an avoided cost rate.

Reliability: The ability of the electric system to supply the electrical demand and energy requirements and to withstand sudden disturbances such as electric short circuits or unanticipated loss of system facilities.

Renewable Energy: Sustainable energy technologies that include solar, wind, trash-to-energy, water, methane gas from landfills, fuel cells, and biomass.

Renewable Portfolio Standard (RPS): A legislative or regulatory mandate or goal for power generated from renewable sources.

Reserve Margin: The amount of capacity above the maximum expected usage expressed as a percentage of peak demand. For example, a 15 percent PJM reserve margin means that on the day with the highest demand, PJM would still have a 15 percent surplus of generation, assuming its forecast is accurate

Restructuring: The process of converting certain regulated utility functions into competitive functions such as generation and retail service. After restructuring, the utility typically no longer owns generation and competitive companies are allowed to offer electricity services to retail customers.

Retail Competition: A system under which multiple retail suppliers compete to provide unique products and services and where customers are empowered to choose from a variety of offerings best suited to meet their individual needs

Retail Market: A market in which electricity and other energy services are sold directly to the end-use customer.

Securitization: A process that allows utilities to use the expected future revenue from its monopoly customers to finance bonds. Because the revenues from customers are provided by statute as an asset of the utility, low cost bond financing is available. Securitization has been used to fund stranded cost payments to utilities in some states. (See Stranded Costs)

Service Area: The geographical territory served by an electric company.

Slamming: The unauthorized, illegal transfer of a customer's electric service by a retail electric provider.

Stranded Costs: Costs electric utilities are projected not to recover as power markets move from protected monopolies to open, competitive environments.

Switching: Refers to a customer receiving retail electric service/supplies from a company or organization other the customer's traditional utility.

Tariff: A document, approved by the responsible regulatory agency, listing the terms and conditions, including a schedule of prices, under which utility services will be provided.

Time-of-Use (TOU) Rates: The pricing of electricity based on the estimated or actual cost of electricity during a particular time block, either time-of-day or by season.

Transmission Lines: Lines that are used to deliver power from electric generating plants at high voltage to facilities that distribute the power at lower voltage to homes and most businesses.

Unbundling: Separating electric utility service into its basic components -- generation, transmission and distribution and retail -- and offering each component separately for sale with separate rates for each component.

Utility: A regulated energy company with the characteristics of a natural monopoly.

Wholesale Competition: A market with a variety of competing power producers.

Wholesale Power Market: The purchase and sale of electricity from generators to resellers (who sell to retail customers).

Wholesale Transmission Services: The transmission of electric energy sold, or to be sold, at wholesale in interstate commerce.

Wires Charge: Charges levied for the use of the transmission or distribution wires.