

From “BTUs” to “distribution charges” – understanding the terms in the energy industry is important to becoming a smarter energy consumer.

This glossary offers helpful terms and definitions to help you understand more about energy choice and the industry

RETAIL ENERGY COMPETITION GLOSSARY

Energy Choice – The opportunity for retail customers of a public utility to select from among competing suppliers of electric, gas, and associated services. A customer's selection of a supplier will not affect the delivery of those services, which will continue to be performed by the local utility. *Also known as Customer Choice, Retail Choice, Direct Access, Open Access, Retail Open Access, Energy Competition, Retail Energy Choice, Retail Energy Competition, Deregulation, Restructuring.*

Terms used for Competitive Energy Suppliers

STATE	ELECTRICITY	NATURAL GAS
California	Energy Service Providers (ESP)	Natural Gas Service Providers (NGSP)
Connecticut	Electric Supplier	Natural Gas Supplier
DC	Electric Supplier	Natural Gas Supplier
Delaware	Electric Supplier	Natural Gas Supplier
Georgia	N/A	Natural Gas Marketers
Illinois	Alternative Retail Electric Supplier (ARES)	Alternative Natural Gas Supplier (ANGS)
Indiana	N/A	Choice Supplier or Natural Gas Supplier
Maine	Competitive Electricity Provider	N/A
Maryland	Alternative Electricity Supplier	Gas Supplier
Massachusetts	Competitive Power Supplier	Natural Gas Supplier
Michigan	Alternative Electric Supplier (AES)	Alternative Gas Supplier (AGS)
New Hampshire	Competitive Electric Power Supplier (CEPS)	Competitive Natural Gas Supplier
New Jersey	Third Party Supplier (TPS)	Third Party Supplier (TPS)
New York	Energy Services Company (ESCO)	Energy Services Company (ESCO)
Ohio	Competitive Retail Electric Supplier (CRES)	Competitive Retail Natural Gas Suppliers (CRNGS)
Pennsylvania	Electric Generation Supplier (EGS)	Natural Gas Supplier (NGS)
Rhode Island	Non-Regulated Power Producer (NPP)	Gas Marketers
Texas	Retail Electricity Supplier (REP)	N/A
Virginia	Competitive Service Provider	N/A

Advanced Metering Device – A device used to record or communicate actual electric use during minutes, hours, days or weeks; needed for time-of-day, on-peak/off-peak or other billing rates. *Also known as a Smart Meter.*

Affiliate –The term affiliate is commonly used to refer to the corporate partner companies of regulated utility companies. Many regulated utility companies have affiliate relationships with unregulated energy suppliers. In order to assure that all competitive suppliers have equal opportunities in the emerging marketplace, regulators often establish a "Code of Conduct," which governs relationships between regulated and unregulated affiliates.

Aggregator – An aggregator is an entity that purchases electric energy and serves as an intermediary for a large number of consumers, bargaining on their behalf for electricity and related services. The group "aggregates" or combines customers into one large customer for purposes of negotiation, and purchases the electricity as a single customer for the group.

Arrearage – The amount of money a customer owes for past utility bills.

Billing Cycle – The period of days in which a utility or supplier totals customer energy use and produces the customer bill, the regular schedule when the bill will be delivered to the customer, and the due date for the customer's payment to be received by the utility is commonly called the "billing cycle."

Bill Insert – Information sent by utilities to their customers on separate sheets of paper enclosed in monthly bills.

British Thermal Unit (Btu) – The quantity of heat required to raise the temperature of 1 pound of liquid water by 1 degree Fahrenheit at the temperature at which water has its greatest density (approximately 39 degrees Fahrenheit).

Broker – An agent or intermediary that arranges for the purchase and sale of electricity, transmission, and other services between buyers and sellers. A broker does not take title to the energy involved in the transaction.

Budget Billing – Most utilities and suppliers offer budget billing, which allows customers to pay a fixed amount each month. Budget billing averages bills out over 12 months, so each monthly bill will be the same amount until the total bill is paid. The company may adjust the bill at certain times throughout the year, up or down, depending on the customer's use.

Capacity (Electricity) – A measure of the quantity of instantaneous energy use. The term is applied to the amount of electric power delivered or required for which a generator, turbine, transformer, transmission circuit, station, or system is rated by the manufacturer.

Capacity (Natural Gas) – Total volume of gas that can flow through a pipeline over a given period of time, considering factors such as pipeline diameter, pressure, and time interval.

Capacity Charge (Electricity) – An element in a two-part pricing method used in capacity transactions (energy charge is the other element). The capacity charge, sometimes called “demand charge” or “system use charge,” is assessed on the maximum or peak amount of electricity used. Often, the charge is based on the maximum amount of electricity used at any time in the previous 12 months.

Centum Cubic Feet (CCF) – A measurement of gas used in the United States and the United Kingdom representing 100 cubic feet. This is the standard measurement of residential natural gas volume billed.

Commodity Cost – The cost of commodity (natural gas or electricity) and related charges to deliver it to the marketplace.

Congestion – A condition that restricts the ability to add or substitute one source of electric power for another on a transmission grid (more simply congestion occurs when insufficient transfer capacity is available to implement all of the preferred schedules simultaneously).

Conservation Cost Recovery Charge – Component added to an electricity bill to cover the costs of utility outlays that reduced the demand for electricity. Conservation programs might include energy efficiency audits, weatherization programs, or efficient lighting systems. Some regulatory oversight would be called for to ensure that the programs are, indeed, achieving the conservation impacts that are sought.

Cramming – Adding services and charges to a customer’s bill without the customer’s knowledge or consent.

Customer Charge – A recurring charge for the basic administrative activities associated with a utility maintaining a customer account. This may also be referred to as a service charge. Typically, these activities include billing, metering, and meter reading. In most cases, a monthly customer charge is one component of a customer’s minimum charge.

Curtailement – A reduction in scheduled capacity or energy delivery

Customer Classes – Groupings of customers into categories with similar characteristics.

- **Commercial Customer** – One of three principal classes of electricity customers. Commercial customers consist of non-manufacturing business establishments, including retail stores, hotels, restaurants, wholesale businesses and educational institutions, among others.
- **Industrial Customer** – One of three principal classes of electricity customer. The classification of industrial customer is made either because the consumer 1) is a manufacturing, construction, mining, agriculture, fishing or forestry establishment or 2) uses an amount of electricity that exceeds some specified limit.
- **Residential Customer** – One of three principal classes of energy customers. Residential customers are private households that consume energy primarily for space heating, water heating, air conditioning, lighting, refrigeration, cooking, and washing and drying clothes.

Demand (Electricity) – The amount of power required to meet the customer's load at a given instant or averaged over any designated interval of time, expressed in kilowatts or megawatts.

Demand Response – Since electricity is priced by time of day, peak, and intermediate and off-peak, customers can receive benefits from adjusting electric usage by time of day. Changes in electric usage by customers from usage during peak to usage during non-peak in response to changes in the price of electricity the utility is charged over time, or to incentive payments designed to lower electricity use at times of high wholesale market prices or when system reliability is jeopardized.

Demand Side Management – Conservation measures to limit or reschedule electricity use so that the size and number of generating facilities can be reduced; also used to design strategic load growth.

Disconnection Notice – A warning that service is scheduled to be turned off.

Distributed Generation (DG) – Any small scale electric generation that is located at or near the point of end use. It may be interconnected with a local utility company's distribution system or not. It may be owned and operated by a customer, a utility, or a non-utility company.

Distribution – The delivery of natural gas or electricity to a retail customer's home or business through natural gas pipelines or distribution wires or facilities of regulated public utilities.

- **Distribution Charge** – When natural gas and electric utility services are unbundled, utilities will separate the fees associated with each major component of electricity service, (generation, transmission, and distribution) and natural gas service (supply, transportation, distribution). The state public utility commission approves the rates that utilities charge customers for distribution services. A utility distribution charge is a charge for delivering electricity or natural gas from a customer's chosen supplier to their residence or business, and may include a customer charge, demand charge, or energy charge.
- **Distribution Company** – A regulated utility that is responsible for maintaining and operating a distribution system and providing other services to end-use customers.
- **Distribution Line** – One or more circuits of a distribution system that operate at relatively low voltage in comparison with transmission lines.
- **Distribution System** – The network of wires and equipment (electricity) or pipes (natural gas) that carries energy from the transmission or transportation systems to the customer's premises.

Early Termination Fee – A charge levied by a supplier on a customer when the customer wants to break the contract prior to the expiration of the contract term.

Electric Meter – Generally, a device that measures the amount of electricity a customer uses. The primary types of electric meters are energy meters, demand meters, interval demand meters, and time-of-use meters.

- An **energy meter** is the simplest type of electric meter. It measures electricity use, referred to as kilowatt-hours.
- A **demand meter** measures kilowatt-hours used, and also the maximum electric use referred to as peak capacity or load.
- An **interval demand meter** records the demand used in each measuring period. The periods are typically every 15 minutes, half-hour, or hour, depending on the specific meter and the way that the utility rates are calculated. Some utilities and suppliers offer **time-of-use rates**, where customers pay different charges for electricity used during different times. The price might vary depending on the time of day, week, season, or year, or even depending on the hourly market price of electricity.
- A **time-of-use meter** measures customer electricity use and sometimes demand and records that data, along with the time of day, so the utility or supplier can bill the customer according to the charges established in the customer's time-differentiated rates.

Electric Utility – A person, partnership, corporation, association, or other legal entity whose distribution of electricity is regulated by the state public utility commission.

Energy Charge or Electric Charge – The charge for the electricity used by an electric customer during the billing period, measured in kilowatt-hours.

Energy Efficiency – Using less energy (electricity) to perform the same function.

Federal Energy Regulatory Commission (FERC) – The U.S. government agency that regulates interstate electricity sales, wholesale electric rates, natural gas pricing, oil pipeline rates, and gas pipeline certification. For example, FERC sets and enforces the wholesale electric rates that investor-owned utility generators charge their wholesale customers. FERC also licenses hydroelectric projects.

Fixed Price – An all-inclusive per kWh / per therm price that will remain the same for a specified contract term.

Fuel Charge – The rate charged per kilowatt-hour or cubic feet to cover fuel costs for power production. *Separate from Energy Charge.*

Fuel Cost Adjustment – An adjustment to the customer's bill when the actual cost of fuel at the supplier's generating stations varies from a previously specified unit cost. *Also known as Fuel Adjustment Clause.*

Gas Cost Adjustment – Natural gas utilities may assess customers for the cost of purchased gas on utility bills, based on the actual cost of gas. These costs are reconciled, often at a hearing annually, when the adjustment collections are reconciled to actual costs paid by the companies. Credits to customers or additional costs passed through to customers may result from this annual reconciliation.

Generation – The process of producing electricity by converting other forms of energy (e.g., coal, natural gas, wind power, solar power, etc.) into electricity.

Grid – A system of interconnected power lines and generators that is managed to meet the requirements of customers connected to the grid at various points.

Independent System Operator (ISO) – A neutral party responsible for the management and control of the electric transmission grid in a state or region. *Similar to a Regional Transmission Organization (RTO).*

Intermittency – The operating characteristics of any resource that affects how it is integrated into a generation portfolio and how its output is balanced by other resources. For wind or solar resources, intermittency is expected and is accommodated in the portfolio design. Thus, while individual wind towers might be highly intermittent, and a collection of towers in a wind farm less so, a wind farm can also be termed highly reliable and present low risk because it will likely operate as predicted.

Interruptible Service – A type of service available to customers under schedules or contracts that anticipate and permit service interruption on short notice. This arrangement enables the electricity distribution company to deal with peak demands (and the associated high cost of service) by rationing the service.

- **Interruptible Rate** – The lower rate offered to a customer (generally a large industrial or commercial entity) who agrees to be served by **Interruptible Service**.

Interstate Pipeline – A pipeline that transports natural gas across state boundaries. Such pipelines are subject to **FERC** jurisdiction.

Investor-Owned Utility (IOU) – A stockholder-owned utility company that provides public utility services to retail customers for a profit.

Kilowatt (kW) – One thousand watts, a standard measure of demand for power or capacity.

Kilowatt-hour (kWh) – The standard unit of measure for electric energy. One kilowatt-hour is one kilowatt of electricity supplied for one hour.

Late Payment Charge (LPC) – A fee assessed to a customer if their utility bill has not been paid by the due date. *Also known as a Late Payment Fee.*

Load – This is the general term used for any end-use device or group of devices drawing energy from the electric system. In other words, the total amount of “stuff” that plugs in to electrical sockets.

- **Load Serving Entity (LSE)** – A transmission or distribution utility that has contractual or regulatory obligations to connect its load to the transmission grid.
- **Load Management** – In contrast to conservation strategies to reduce energy usage generally, load management tries to shift demand from peak generating periods to off-peak times. Many utilities encourage load management by offering customers a choice of service options with various price incentives (e.g., **Interruptible Rate**).
- **Load Profile** – An allocation of electricity usage to discrete time intervals over a period of time, based on individual customer data or averages for similar customers. A load profile may be used to estimate electric supply requirements and determine the cost of service to a customer. Generally speaking, customers with small demand requirements may participate in electric customer choice using a load profile rather than interval demand meter data.

Local distribution company (LDC) – A company that engages in transporting a service in a narrow geographical area. In the case of natural gas, a company that buys gas for resale to end users and that may deliver the gas from interstate pipelines to the end users' facilities. In most cases, this is the company that customers commonly refer to as a **Utility**.

Low Income Home Energy Assistance Program (LIHEAP) – A federal program that provides financial assistance to low-income households for home energy bills. The LIHEAP program provides both cash and crisis benefits. Cash benefits help low-income consumers pay for their home energy bills while crisis payments help meet emergency home energy needs. For more information, contact the Department of Public Welfare.

Megawatt (MW) – One thousand kilowatts (1,000 kW), or one million (1,000,000) watts.

Megawatt-hour (MWh) – One thousand kilowatts supplied for a period of one hour.

Minimum Charge – The total of all the payments a customer will owe for electric services no matter how much electricity the customer uses during a billing period. Typically, it is the total of all customer service charges, demand charges, and any other fees that are assessed regardless of energy used during any one billing period.

Municipal Aggregation – A practice that allows local governments to pool the electric or natural gas consumption of residents in order to purchase the electricity or natural gas at a bulk rate. Often done on an opt-out basis, meaning all residents are aggregated unless they specifically request to be exempted.

Municipal Utility (Muni) – A utility that generates or supplies electricity, transmission and distribution generally within the boundaries of a specific municipality and that is owned or operated by the municipality.

Nonbypassable Charge – A charge that all consumers must pay, whether they continue to receive electric or natural gas service from their present utility or select a new supplier.

Obligation to Serve – A utility’s requirement to provide service to anyone willing to pay its set rates. Utilities have traditionally assumed this obligation in exchange for an exclusive monopoly franchise.

PJM Interconnection – A regional transmission organization (RTO) that coordinates the movement of wholesale electricity in all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia and the District of Columbia.

Peak Load – The electric load corresponding to a maximum level of electric demand in a specified period. *Also known as Peak Demand.*

- **Off-Peak/On-Peak** – Blocks of time when energy demand and price is low (off-peak) or high (on-peak).
- **Peak Day (Natural Gas)** – The highest usage day during the winter season; a 24-hour period of natural gas delivery greater than any other day.

Pilot Program – A program offered by a utility that allows a limited number of customers to select their energy suppliers on an experimental basis for a limited period of time.

Price Cap – A maximum price applied by a regulator to the sale of electricity or services, whereby the level of the cap is set somewhat above the marginal costs of the most expensive generator on the system.

Price to Compare – Usually The price the regulated utility company of electricity or natural gas publically advertises for the sale of the actual commodity. Customers can use this price to compare to commodity prices from electric or natural gas suppliers.

Provider of Last Resort (POLR) – A legal obligation, traditionally but not always assigned to utilities, to provide service to any customer who requests it at any time. A utility or supplier assigned to this obligation must serve customers who have chosen to receive service from a competitive supplier, but for any reason seek to return to default service. *Also known as Supplier of Last Resort (SOLR) or Default Service Provider (DSP).*

Public Utilities Commission (PUC) – A state agency comprising elected or appointed regulators that oversees utility rates (including electric, gas, telecom, taxi, weights and measures and the like) and services, under applicable FERC or other federal agency guidelines. *Also known as Board of Public Utilities, Department of Public Service, Department of Public Utilities, State Corporation Commission, State Commerce Commission, Public Service Commission, and Public Utilities Regulatory Authority.*

Purchased Cost Adjustment Mechanism (PCAM) – A mechanism by which costs incurred by a utility for the purchase of power on the wholesale power market that exceed the projected costs for purchased power as reflected in the base rate filed with regulators may be passed through to electricity customers through an automatic adjustment charge in their bills.

Purchased Gas Adjustment (PGA) – A common provision of regulatory rules permitting a natural gas utility to recover from customers the amount it pays in purchase costs for the natural gas supplied to a customer.

Purchased Gas Adjustment Mechanism (PGAM) – A mechanism by which changes in a utility's gas commodity costs are automatically passed on to customers through a dollar-for-dollar adjustment in their bills.

Rate Base – Defined in law or by the regulator as the regulatory asset value on which the allowed rate of return can be earned. This may be calculated according to a variety of accounting methods: fair value, prudent investment, reproduction cost, or original cost. Depending on the jurisdiction, the Rate Base can include working capital and construction work in progress. It can be adjusted to take into account accumulated depreciation.

Rate Case – The process whereby the utility and other affected parties present information and proposals for future prices and service quality targets. The appearance of a utility before a regulatory authority can be very formal (almost like a court case) or contain informal workshops that facilitate the exchange of ideas and development of consensus for determining the rates to be charged to customers. The latter can take the form of **Settlement Agreements**.

Rate Class – Customers grouped according to certain characteristics. They may pay a different rate than other customers based on cost causation or cost allocations. Similar to **Customer Class**, but usually more specific characteristics.

Real Time Pricing – Pricing electricity based on the actual cost at the time it is demanded by a customer.

Regional Transmission Organization (RTO) – An organization that is independent from all generation and power marketing interests and has exclusive responsibility for electric transmission grid operations, short-term electric reliability and transmission services within a multi-state region. To achieve those objectives, the RTO manages transmission facilities owned by different companies and encompassing one, large, contiguous geographic area. *Similar to Independent System Operator.*

Reliability – The measure of performance of a bulk-power system that results in electricity being delivered to consumers within accepted standards and in the amount desired; measured by frequency, duration and magnitude of adverse impacts on the electric supply. Reliability comprises both generation adequacy (ensuring that supply is available to meet demand at dispersed points of consumption) and system security (ability to withstand sudden, unanticipated disturbances, as when a transmission line suddenly becomes unavailable).

Renewable Energy Resource – A source of electricity generated from solar, wind, biomass, small hydroelectric facilities, and other resources that can be naturally replenished and whose rate of use does not exceed the rate of replenishment.

Renewable Portfolio Standard (RPS) – A requirement that suppliers of electricity in a state (or region) include a certain percentage of **Renewable Energy Resources** in the mix of power they sell. The

percentage usually gradually increases from the very small amount currently produced in most states to a larger amount over a fixed period of time (such as 10 years).

Rescission Period – The period of time during which a customer may cancel or rescind a sales agreement with a supplier without penalty.

Rural Electric Cooperative or Electric Cooperative – A member-owned electric utility company serving retail electricity customers. Electric cooperatives may be engaged in the generation, wholesale purchasing, transmission, and/or distribution of electric power to serve the demands of their members on a not-for-profit basis.

Self-Service Power – Generally, it means electricity that is generated and consumed on a customer's premises without the use of an electric utility's transmission and distribution facilities. This may also be called **Self-Generation** or **On-Site Generation**.

Slamming – The unauthorized switching of a customer's account to another utility or competitive energy supplier without the customer's consent.

Standard Offer Service (SOS) – Electricity supply service that is provided by a regulated utility to an electric customer who has not selected a competitive energy supplier. *Also known as* **Basic Generation Service, Default Service, Standard Service Offer**.

Standby Service – A customer or supplier may at their option contract with a utility or another competitive energy supplier to provide electric generation service in the event that the primary source of supply is disabled or becomes unavailable for any reason. *Also known as* **Standby Generation Service**.

Stranded Costs – Utility charges that were to be recovered over time through regulated rates that would not otherwise be collected from customers that buy their energy from a competitive supplier. Utilities often recover these costs from customers enrolled with a competitive supplier through a **Transition Charge**.

System Benefits Charge – A charge on a consumer's bill from an electric distribution company to pay for the costs of certain public benefits such as low income assistance and energy efficiency.

Tariff – A rate, charge or condition approved by regulatory agency for a regulated utility.

- **Tariff Schedule** – A detailed description of the rate design. Also, a document specifying the lawful rates, rule and conditions for supplying utility service to the public.

Therm – A measure of heat content that is equal to 100,000 **BTUs**. Used as measurement for natural gas.

Third Party Verification – A process by which an independent company (the third party verifier) confirms with the customer that the customer understands and wants to complete the transaction initiated by the energy supplier salesperson. Third party verification is mandatory for door-to-door and telemarketing

sales in many states, and can take a number of forms, including a conversation with a live telephone operator or an automated Interactive Voice Response system.

Transition Charge (Competitive Transition Charge) – A fee paid by customers to their utility when they elect to purchase energy from a competitive supplier. It allows the utility to recover **Stranded Costs** and **Implementation Costs**.

Transmission (Electricity) and **Transportation** (Natural Gas) – The delivery of electricity or natural gas from a generation plant or pipeline to another facility. *Contrast with Distribution*.

Transportation Customer – A customer who uses a local distribution company's natural gas pipeline and distribution system but buys the natural gas commodity from a different supplier.

True-up Mechanism – A method for adjusting rates to prevent over- or under-recovery of certain costs, including **Stranded Costs** and costs charged under a **Purchased Cost Adjustment Mechanism**. The term typically refers to a provision in legislation or regulation that gives state regulators authority to require the adjustment.

Unbundled Services – Unbundling refers to the process of disaggregating energy utility services into basic components and offering each component for sale, with separate charges for each component. Some services may be regulated and others are subject to competition. Some services may be mandatory (meaning all customers must buy them) and others may be optional (customers have a choice whether or not to buy them, and often from whom). Once unbundled, various electric and natural gas utility and competitive services may be listed on customer bills as separate line items. *Contrast with Bundled Services*.

Universal Service – A policy of making a product accessible to all citizens at affordable prices. This policy might use targeted subsidies to achieve the stated objective.

Variable Price (Electricity) – a price per kWh price that can change, by the hour, day, month, etc. according to the terms and conditions in the customer's contract.

Voltage Reduction – Any intentional reduction of system voltage by 3% or more for maintaining the continuity of service of the bulk electric power supply system. This may be referred to as a “brownout.”

Watt – A unit of measure of electric power (see “kilowatt” and “megawatt”).

Wholesale Power Market – Purchase of electricity from generators for the purpose of reselling it to others, who then sell to retail customers. Also, the ancillary services needed to maintain reliability and power quality at the transmission level.

Wholesale Transmission Services – Transmission of electric energy to be sold in wholesale markets.

Winter Protection Plan – A plan designed to provide shutoff protection for eligible low-income customers or senior citizen customers. The Winter Protection Plan protects low-income and senior customers from



service shutoff and high utility payments during the winter months. Customers enroll through their utility company or supplier, in states where these programs exist.