



Glossary of Electric Restructuring Terms

Advanced Metering: Device for recording or communicating actual electric use during minutes, hours, days or weeks useful for time-of-day, on-peak/off peak or other billing rates.

Affiliated Retail Electric Provider: A Retail Electric Provider (REP) that is owned, but separately operated, by a former monopoly electric utility.

Aggregator: a person joining two or more customers, other than municipalities and political subdivision corporations, into a single purchasing unit to negotiate the purchase of electricity from retail electric providers. Aggregators may not sell or take title to electricity. Retail electric providers are not aggregators.

Base Load: The minimum energy level a company must provide you on a constant basis.

Basic Services: Necessary for the physical delivery of service, including generation, transmission and distribution.

Broker: A firm that acts as an agent or "middle man" in the sale and purchases of electricity, but never owns the electricity and typically does not own generating facilities.

Bulk Power Market: Wholesale purchases and sales of electricity.

Municipally Owned Utility (Muni): A non-profit utility that is owned and operated by the municipality it serves. In Texas, municipally owned utilities may opt into the competitive retail electric marketplace.

Commercial Customer: One of three commonly used designations for classes of customers. The others are residential and industrial. Commercial customers are not involved in manufacturing. Examples of commercial customers are retail stores, restaurants and educational institutions.

Competitive Transition Charge (CTC): This will be a separate charge on all retail electric customers' bills. The charge pays for the electric utility's stranded costs.

Cramming: Adding charges to your bill for optional services not authorized by the customer.

Customer Contract: Written agreement between a customer and a retail electric provider.

Customer Assistance Programs: An alternative collection method that provides bill payment to low-income customers who meet program criteria.

Customer Charge: Part of the monthly basic distribution charge to partially cover costs for billing, meter reading equipment, service line maintenance and equipment. This charge is the same no matter how much electricity you use.

Daily Peak: The greatest amount of electricity used during a certain period in a day, such as an

hour, half-hour or quarter hour.

Demand: The amount of electricity that a customer uses at any given moment or averaged over any certain period of time.

Deregulation: Removal or relaxation of regulations or controls governing a business or service operation such as utilities.

Distribution: The local wires, transformers, substations and other equipment used to deliver electricity for the electric distribution company to your home or business. The distribution charge is regulated by the PUC. This charge will vary based on how much electricity you use.

Distribution Line: The local part of an electric system that delivers electricity to retail customers.

Distribution Power: A packaged power unit located at the point of demand. While the technology is still evolving, examples include fuel cells and photovoltaic cells.

Electric Distribution Company: The company that owns the power lines and equipment necessary to deliver purchased electricity to the customer.

Electric Reliability Council of Texas (ERCOT): A private industry group that monitors electric energy supply in the state.

Energy Conservation: To reduce or manage energy consumption in a cost-effective and efficient manner.

Energy Services Company: A company offering specialized or customized energy services by providing advice and products to reduce customer consumption bills.

Escape Provision: A contract clause allowing you to break a contract, usually with a penalty.

Federal Energy Regulatory Commission (FERC): An independent federal agency within the U.S. Department of Energy that has jurisdiction over rates, terms and conditions of the transmission and wholesale sale of electricity between states.

Fixed Price: A price that remains the same, usually for a set time period.

Flat Rate: A fixed charge for goods and services that does not vary with changes in the amount used, volume consumed or units purchased.

Formal Complaint: A written dispute or disagreement about a utility problem filed by a customer with the PUC. A formal complaint is assigned to an Administrative Law Judge who holds hearings to develop a record. After the hearings, the judge issues a decision. (see informal complaint)

Generation: Production of electricity.

Grandfathered electric generation plants: These power plants are exempt from most state air permitting requirements because they predate the 1971 Texas Clean Air Act and have not changed significantly since then. These facilities have been allowed to remain exempt as long as no modifications were made that would result in a significant increase in air pollution.

Green Power: As defined by the Texas Legislature, this is energy produced from burning Texas natural gas, a fossil fuel that generates some pollution but is relatively clean-burning compared to other fossil fuels. If you buy "green" energy, it will be relatively low polluting, but could legally include fossil-fired generation as well as renewable energy.

Grid: A network for the transmission of electricity throughout the state, region or nation. The term is also used to refer to the layout of an electric distribution system.

Gross Receipts: The total revenue for a calendar year for all electric distribution companies and electric generation suppliers that are derived from the sales of electric energy.

Hourly Metering or Time of Use Metering: Tracking or recording your consumption during a specific time period.

Independent Power Producer (IPP): An entity not regulated by the government as a public utility that owns or operates an electricity generating facility and offers wholesale electric power for sale to utilities.

Independent System Operator (ISO): An entity that will monitor the reliability of the power system and coordinate the supply of electricity around the state. In order to have competitive generation services, open access to the transmission system.

Informal Complaint: A dispute or disagreement about a utility problem filed by a consumer with the PUC's Customer Protection Division. A Customer Assistance investigator reviews the informal complaint and tries to resolve the dispute. Most responses are in the form of a decision that the customer or company can appeal. If an informal complaint is appealed, it becomes a formal complaint.

Interruptible Rate: A special utility rate given to certain industrial customer who agree to have their service reduced or temporarily stopped as part of an agreement with their electric provider.

Investor-Owned Utility (IOU): An electric utility company owned and operated by private investors.

Kilowatt (kW): One thousand watts, measure of demand for power.

Kilowatt-hour (kWh): The standard unit of measure for electricity. The total number of kilowatt-hours charged to your bill is determined by your electricity use.

Load: The amount of electric power required to meet customers' use in a given time period.

Load Profile: Measurement of a customer's electricity usage over a period of time that shows how much and when a customer uses electricity. Load profiles can be used by REPs and transmission system operators to forecast electricity supply.

Load Management: Shifting use of electricity from periods of high demand to periods of lower demand, when the cost of electricity usually is lower.

Market Power: the ability of one company to dominate the market. SB 7 includes provisions to prevent any company possessing market power to use business practices that are unreasonably discriminatory or tend to unreasonably restrict, impair, or reduce the level of competition. This includes practices that tie unregulated products or services to regulated products or services or unreasonably discriminate in the provision of regulated services.

Megawatt (MW): One thousand kilowatts. This term is generally used to measure the generating capacity of power plants. The average size of U.S. power plants is approximately 200 MW.

Non Basic Services: Those services not required for the physical delivery of electric service.

Office of Public Utility Counsel: The Texas state consumer agency designated by state law to represent residential and small business interests. The agency advocates for those interests before Texas and Federal regulatory agencies as well as the courts.

Off-Peak/On-Peak: Block of time when energy demand and price is low (off-peak) or high (on-peak).

Pancaking: The effect of adding on charges as power moves through several transmission

systems.

Pilot project: A utility program offering a limited group of customers a choice of retail electric providers on a trial basis.

Power Generation Company: A competitive company that operates and maintains existing generation plants. The company may own the generation plants or may interact with the short-term market for electric power on behalf of plant owners.

Power Marketer: A company registered with the PUC that buys and resells electricity, but that typically does not own generating facilities.

Price Cap: A level above which regulated prices may not rise.

Price to Beat: On the date competition begins, the affiliated retail electric provider will lower rates for small business and residential customers by 6%. This is the "price to beat", meaning competitors will most likely offer even lower rates to attract customers.

Provider of Last Resort: The designated retail electric provider (REP) that will provide a standard electric service package to those customers who do not choose another REP, are unable to find a REP willing to serve them, or for some reason no longer receive retail electric service from another provider.

Public Utility Commission of Texas: The state regulatory body responsible for the regulation of the electric utility industry in Texas.

Real-time Pricing: Rates that reflect the actual moment-by-moment cost of providing electricity.

Residential Customer: One of three commonly used terms to differentiate customer classes. The other two are commercial and industrial. Residential customers include private households that utilize energy for such needs as heating, cooling, cooking, lighting and small appliances.

Regulation: A rule or law established by the federal or state government that sets procedures that must be followed.

Reliability: Electric system reliability has two components: adequacy and security. Adequacy is the ability to supply customers at all times. Security is the ability to withstand sudden disturbances, such as short circuits or anticipated loss of system facilities.

Renewables: Resources used to generate electricity that are capable of being replaced naturally. This includes fuels and technologies such as energy from waste, geothermal energy, landfill and mine-based methane gas, low head hydro power, solar photovoltaic energy, solar thermal energy, sustainable biomass energy, and wind power.

Restructuring: The reorganization of traditional monopoly electric service to allow operations and charges to be separated or "unbundled" into generation, transmission, distribution and other services. This allows customers to buy retail electric service from competing providers.

Retail Wheeling: Also known as retail customer choice. An electric company is required to transport electricity from a generating plant it does not own directly to its retail customers. This gives retail customers the ability to purchase electricity from sources they choose.

Retail Customer Choice: Same as Retail Wheeling.

Retail Electric Provider (REP): A person or corporation, generator, broker, marketer, or any other entity that sells electricity to end-use customers over regulated transmission or distribution facilities.

Rural Electric Cooperative (Co-op): Customer owned electric utility that distributes electricity to

members and that receives lower-cost financing through the federal government. In Texas, co-ops can choose to opt into the competitive retail market.

Securitization: A method of refinancing stranded costs, or utility debt, at lower interest rates, cutting the total cost of the debt. Retail customers will pay for stranded costs through the Competitive Transition Charge on their electric bills.

Service Area: The geographic territory served by a utility.

Slamming: Switching a customer's electric provider without authorization.

Spot Market: Short-term purchases of electricity from surpluses available for a short time.

Stranded Investments or Stranded Costs: The difference between the book value of generation facilities under a regulated system, and what those facilities would be worth on the open market. In a traditional regulated rate of return system, electric utilities could recover the costs of building generation facilities, over time, on customers' bills.

Terms of Service: Content of the agreement between a customer and a REP.

Transmission: Interconnecting electric lines that move high voltage electricity from a generation facility to the distribution lines.

Transmission Charges: Part of the basic service charges on every customer's bill for transporting electricity from the generation facility over transmission lines. The PUC will continue to regulate transmission rates in Texas.

Transmission and Distribution Company: The regulated affiliate of a former monopoly electric utility that owns and may construct and maintain wires used to transmit wholesale electric power. It is regulated by the Public Utility Commission to provide nondiscriminatory connections, comparable service, and cost recovery. May also be referred to as the "wires company".

Unbundled Service: Electric service broken down into its basic components. Each component is priced and sold separately. For example, generation, transmission and distribution could be unbundled.

Unbundle: The requirement that an electric utility separate its company along its three functions: generation, transmission and distribution, and retail service.

Variable Price: A price that can change by the hour, day or month.

Weatherization: Modifying a home or building to conserve energy. Methods include sealing window and doorframes with caulking or gaskets, installing storm doors and windows and adding or increasing insulation.

Wholesale Competition: A market structure in which wholesale electricity suppliers compete to sell electricity to retail providers over regulated transmission and distribution systems. Texas deregulated the wholesale electric market in 1995.

Wires Charge: A charge that could be expressed in cents-per-kilowatt hour that is levied on retail electric providers to use the transmission and distribution system. This is also referred to as a "transmission and distribution charge".