

Glossary of Regulation Terms

A

Access Charge: A charge levied on a power supplier, or its customer, for access to a utility's transmission or distribution system. It is a charge for the right to send electricity over another's wires.

Aggregator: An entity that puts together customers into a buying group for the purchase of a commodity service. The vertically integrated investor owned utility, municipal utilities and rural electric cooperatives perform this function in today's power market. Other entities such as buyer cooperatives or brokers could perform this function in a restructured power market. This is opposed to marketer which will be defined as an entity that represents different suppliers.

Average Cost: The revenue requirement of a utility divided by the utility's sales. Average cost typically includes the costs of existing power plants, transmission, and distribution lines, and other facilities used by a utility to serve its customers. It also included operating and maintenance, tax, and fuel expenses.

Avoided Cost: The cost the utility would incur but for the existence of an independent generator or other energy service option. Avoided cost rates have been used as the power purchase price utilities offer independent suppliers (Qualifying Facilities).

B

Bilateral Contract: A direct contract between the power producer and user or broker outside of a centralized power pool or POOLCO.

Bottleneck Facility: A point on the system, such as a transmission line, through which all electricity must pass to get to its intended buyers. If there is limited capacity at this point, some priorities must be developed to decide whose power gets through. It also must be decided if the owner of the bottleneck may, or must, build additional facilities to relieve the constraint.

BPA: Bonneville Power Administration. One of five federal power marketing administrations that sell low-cost electric power produced by federal hydro electric dams to agricultural and municipal users. BPA serves Idaho, Oregon, and Washington as well as parts of Nevada and Wyoming.

Broker: A retail agent who buys and sells power. The agent may also aggregate customers and arrange for transmission, firming and other ancillary services as needed.

Bulk Power Supply: Often this term is used interchangeably with wholesale power supply. In broader terms, it refers to the aggregate of electric generating plants, transmission lines, and related-equipment. The term may refer to those facilities within one electric utility, or within a group of utilities in which the transmission lines are interconnected.

Buy Through: An agreement between utility and customer to import power when the customer's service would otherwise be interrupted.

C

Capacity Release: A secondary market for capacity that is contracted by a customer which is not using all of its capacity.

Captive Customer: A customer who does not have realistic alternatives to buying power from the local utility, even if that customer had the legal right to buy from competitors.

Commercialization: Programs or activities that increase the value or decrease the cost of integrating new products or services into the electricity sector. (See "Sustained Orderly Development.")

Contract Path: The most direct physical transmission tie between two interconnected entities. When utility systems interchange power, the transfer is presumed to take place across the "contract path," notwithstanding the electrical fact that power flow in the network will distribute in accordance with network flow conditions. This term can also mean to arrange for power transfer between systems. (See also Parallel path flow)

Contracts for Differences (CfD): A type of bilateral contract where the electric generation seller is paid a fixed amount over time which is a combination of the short-term market price and an adjustment with the purchaser for the difference. For example, a generator may sell a distribution company power for ten years at 6/kWh. That power is bid into Poolco at some low /kWh value (to ensure it is always taken). The seller then gets the market clearing price from the pool and the purchaser pays the producer the difference between the Poolco selling price and 6/kWh (or vice versa if the pool price should go above the contract price).

Co-op: This is the commonly used term for a rural electric cooperative. Rural electric cooperatives generate and purchase wholesale power, arrange for the transmission of that power, and then distribute the power to serve the demand of rural customers. Co-ops typically become involved in ancillary services such as energy conservation, load management and other demand- side management programs in order to serve their customers at least cost.

D

Deintegration: (See disaggregation)

Demonstration: The application and integration of a new product or service into an existing or new system. Most commonly, demonstration involves the construction and operation of a new electric technology interconnected with the electric utility system to demonstrate how it interacts with the system. This includes the impacts the technology may have on the system and the impacts that the larger utility system might have on the functioning of the technology.

Deregulation: The elimination of regulation from a previously regulated industry or sector of an industry.

Derivatives: A specialized security or contract that has no intrinsic overall value, but whose value is based on an underlying security or factor as an index. A generic term that, in the energy field, may include options, futures, forwards, etc.

Direct Access: The ability of a retail customer to purchase commodity electricity directly from the wholesale market rather than through a local distribution utility. (See also Retail Competition)

Disaggregation: The functional separation of the vertically integrated utility into smaller, individually owned business units (i.e., generation, dispatch/control, transmission, distribution). The terms "deintegration," "disintegration" and "delamination" are sometimes used to mean the same thing. (See also "Divestiture.")

Distributed Generation: A distributed generation system involves small amounts of generation located on a utility's distribution system for the purpose of meeting local (substation level) peak loads and/or displacing the need to build additional (or upgrade) local distribution lines.

Distribution: The delivery of electricity to the retail customer's home or business through low voltage distribution lines.

Distribution Utility (Disco): The regulated electric utility entity that constructs and maintains the distribution wires connecting the transmission grid to the final customer. The Disco can also perform other services such as aggregating customers, purchasing power supply and transmission services for customers, billing customers and reimbursing suppliers, and offering other regulated or non-regulated energy services to retail customers. The "wires" and "customer service" functions provided by a distribution utility could be split so that two totally separate entities are used to supply these two types of distribution services.

Divestiture: The stripping off of one utility function from the others by selling (spinning-off) or in some other way changing the ownership of the assets related to that function. Most commonly associated with spinning-off generation assets so they are no longer owned by the shareholders that own the transmission and distribution assets. (See also "Disaggregation.")

DSM (Demand-Side Management): Planning, implementation, and evaluation of utility-sponsored programs to influence the amount or timing of customers' energy use.

E

Economic Efficiency: A term that refers to the optimal production and consumption of goods and services. This generally occurs when prices of products and services reflect their marginal costs. Economic efficiency gains can be achieved through cost reduction, but it is better to think of the concept as actions that promote an increase in overall net value (which includes, but is not limited to, cost reductions).

Economies of Scale: Economies of scale exist where the industry exhibits decreasing average long-run costs with size.

EEL: Edison Electric Institute. An association of electric companies formed in 1933 "to exchange information on industry developments and to act as an advocate for utilities on subjects of national interest."

ELCON: Electricity Consumers Resources Council. ELCON is an association of 28 large industrial consumers of electricity. ELCON members account for over five percent of all electricity consumed in the United States. ELCON was formed in 1976 "to enable member companies to "work cooperatively for the development of coordinated, rational and consistent policies affecting electric energy supply and pricing at the federal, state, and local levels."

Electric Utility: Any person or state agency with a monopoly franchise (including any municipality), which sells electric energy to end-use customers; this term includes the Tennessee Valley Authority, but does not include other Federal power marketing agency (from EPAAct).

Embedded Costs Exceeding Market Prices (ECEMP): Embedded costs of utility investments exceeding market prices are: i) costs incurred pursuant to a regulatory or contractual obligation; 2) costs that are reflected in cost-based rates; and 3) cost-based rates that exceed the price of alternatives in the marketplace. ECEMPs may become "**stranded costs**" where they exceed the amount that can be recovered through the asset's sale. Regulatory questions involve whether such costs should be recovered by utility shareholders and if so, how they should be recovered. "**Transition costs**" are stranded costs which are charged to utility customers through some type of fee or surcharge after the assets are sold or separated from the vertically-integrated utility. "**Stranded assets**" are assets which cannot be sold for some reason. The British nuclear plants are an example of stranded assets which no one would buy. (Also referred to as Transition Costs.)

Energy Efficiency: Using less energy/electricity to perform the same function. Programs designed to use electricity more efficiently -- doing the same with less. For the purpose of this paper, energy efficiency is distinguished from DSM programs in that the latter are utility-sponsored and -financed, while the former is a broader term not limited to any particular sponsor or funding source. "Energy conservation" is a term which has also been used but it has the connotation of doing without in order to save energy rather than using less energy to do the same thing and so is not used as much today. Many people use these terms interchangeably.

EPA: The Environmental Protection Agency. A federal agency charged with protecting the environment.

EPAct: The Energy Policy Act of 1992 addresses a wide variety of energy issues. The legislation creates a new class of power generators, exempt wholesale generators (EWGs), that are exempt from the provisions of the Public Utilities Holding Company Act of 1935 and grants the authority to FERC to order and condition access by eligible parties to the interconnected transmission grid.

ESCO: Efficiency Service Company. A company that offers to reduce a client's electricity consumption with the cost savings being split with the client.

Exempt Wholesale Generator (EWG): Created under the 1992 Energy Policy Act, these wholesale generators are exempt from certain financial and legal restrictions stipulated in the Public Utilities Holding Company Act of 1935.

F

Feebates: A feebate is a revenue neutral strategy which imposes a fee on polluting resources and rebates those fees to cleaner technologies. This can be accomplished directly through the revenue paid to generators by the Poolco or through incorporation of these values into the dispatch/pricing mechanism of the pool.

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 all transmission services. FERC is the federal counterpart to state utility regulatory commissions.

Forwards: A forward is a commodity bought and sold for delivery at some specific time in the future. It is differentiated from futures markets by the fact that a forward contract is customized, non-exchange traded, and a non-regulated hedging mechanism.

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

Futures Market: Arrangement through a contract for the delivery of a commodity at a future time and at a price specified at the time of purchase. The price is based on an auction or market basis. Standardized, exchange-traded, and government regulated hedging mechanism.

G

Generation Company (Genco): A regulated or non-regulated entity (depending upon the industry structure) that operates and maintains existing generating plants. The Genco may own the generation plants or interact with the short term market on behalf of plant owners. In the context of restructuring the market for electricity, Genco is sometimes used to describe a specialized "marketer" for the generating plants formerly owned by a vertically-integrated utility.

Generation Dispatch and Control: Aggregating and dispatching (sending off to some location) generation from various generating facilities, providing backup and reliability services. Ancillary services include the provision of reactive power, frequency control, and load following. (Also see "Power Pool" and "Poolco" below.)

Grid: A system of interconnected power lines and generators that is managed so that the generators are dispatched as needed to meet the requirements of the customers connected to the grid at various points. Gridco is sometimes used to identify an independent company responsible for the operation of the grid.

H

Hedging Contracts: Contracts which establish future prices and quantities of electricity independent of the short-term market. Derivatives may be used for this purpose. (See Contracts for Differences, Forwards, Futures Market, and Options.)

I

IOU: An investor owned utility. A company, owned by stockholders for profit, that provides utility services. A designation used to differentiate a utility owned and operated for the benefit of shareholders from municipally owned and operated utilities and rural electric cooperatives.

Integrated Resource Planning (IRP): A public planning process and framework within which the costs and benefits of both demand- and supply-side resources are evaluated to develop the least-total-cost mix of utility resource options. In many states, IRP includes a means for considering environmental damages caused by electricity supply/transmission and identifying cost-effective energy efficiency and renewable energy alternatives. IRP has become a formal process prescribed by law in some states and under some provisions of the Clean Air Act Amendments of 1992.

Integrated Resource Planning Principles: The underlying principles of IRP can be distinguished from the formal process of developing an approved utility resource plan for utility investments in supply- and demand-side resources. A primary principle is to provide a framework for comparing a variety of supply- and demand-side and transmission resource costs and attributes outside of the basic provision (or reduction) of electric capacity and energy. These resources may be owned or constructed by any entity and may be acquired through contracts as well as through direct investments. Another principle is the incorporation of risk and uncertainty into the planning analysis. The public participation aspects of IRP allow public and regulatory involvement in the planning rather than the siting stage of project development.

IPP: Independent Power Producer. An private entity that operates a generation facility and sells power to electric utilities for resale to retail customers.

ISDN: Integrated Services Digital Network. A 128 Kbps (kilobytes per second) digital telephone service available in many parts of the country though not universally available that may be able to substitute for fiber optic cable in every respect except possibly television transmission.

ISO: Independent System Operator. A neutral operator responsible for maintaining instantaneous balance of the grid system. The ISO performs its function by controlling the dispatch of flexible plants to ensure that loads match resources available to the system.

L

Load Centers: A geographical area where large amounts of power are drawn by end-users.

M

Marginal Cost: In the utility context, the cost to the utility of providing the next (marginal) kilowatt-hour of electricity, irrespective of sunk costs.

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

Marketer: An agent for generation projects who markets power on behalf of the generator. The marketer may also arrange transmission, firming or other ancillary services as needed. Though a marketer may perform many of the same functions as a broker, the difference is that a marketer represents the generator while a broker acts as a middleman.

Monopoly: The only seller with control over market sales.

Monopsony: The only buyer with control over market purchases.

Municipalization: The process by which a municipal entity assumes responsibility for supplying utility service to its constituents. In supplying electricity, the municipality may generate and distribute the power or purchase wholesale power from other generators and distribute it.

Municipal Utility: A provider of utility services owned and operated by a municipal government.

N

NARUC: The National Association of Regulatory Utility Commissioners. A national association composed of governmental agencies of the fifty States, the District of Columbia, Puerto Rico and the Virgin Islands engaged in the regulation of utilities and carriers. "The chief objective is to serve the consumer interest by seeking to improve the quality and effectiveness of public regulation in America."

NASUCA: The National Association of Utility Consumer Advocates. NASUCA includes members from 38 states and the District of Columbia. It was formed "to exchange information and take positions on issues affecting utility rates before federal agencies, Congress and the courts."

Natural Monopoly: A situation where one firm can produce a given level of output at a lower total cost than can any combination of multiple firms. Natural monopolies occur in industries which exhibit decreasing average long-run costs due to size (economies of scale). According to economic theory, a public monopoly governed by regulation is justified when an industry exhibits natural monopoly characteristics.

NCSL: The National Conference of State Legislatures. A national advisory council which provides services to state legislatures "by bringing together information from all states to forge workable answers to complex policy questions."

NOPR: A Notice of Proposed Rulemaking. A designation used by the FERC for some of its dockets.

NRTA: Northwest Regional Transmission Association. A subregional transmission group within the Western Regional Transmission Association.

NUG: A non-utility generator. A generation facility owned and operated by an entity who is not defined as a utility in that jurisdictional area.

O

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. Traditionally, utilities have assumed the obligation to serve in return for an exclusive monopoly franchise.

Oligopoly: A few sellers who exert market control over prices.

Options: An option is a contractual agreement that gives the holder the right to buy (call option) or sell (put option) a fixed quantity of a security or commodity (for example, a commodity or commodity futures contract), at a fixed price, within a specified period of time. May either be standardized, exchange-traded, and government regulated, or over-the-counter customized and non-regulated.

P

Parallel Path Flow: As defined by NERC, this refers to the flow of electric power on an electric system's transmission facilities resulting from scheduled electric power transfers between two other electric systems. (Electric power flows on all interconnected parallel paths in amounts inversely proportional to each path's resistance.)

Peak Load or Peak Demand: The electric load that corresponds to a maximum level of electric demand in a specified time period.

Performance-Based Regulation (PBR): Any rate-setting mechanism which attempts to link rewards (generally profits) to desired results or targets. PBR sets rates, or components of rates, for a period of time based on external indices rather than a utility's cost-of-service. Other definitions include light-handed regulation which is less costly and less subject to debate and litigation. A form of rate regulation which provides utilities with better incentives to reduce their costs than does cost-of-service regulation.

Portfolio Management: The functions of resource planning and procurement under a traditional utility structure. Portfolio management can also be defined as the aggregation and management of a diverse portfolio of supply (and demand-reduction) resources which will act as a hedge against various risks that may affect specific resources (i.e., fuel price fluctuations and certainty of supply, common mode failures, operational reliability, changes in environmental regulations, and the risk of health, safety, and environmental damages that may occur as a result of operating some supply resources). Under a more market-driven power sector with a "power pool" or POOLCO wholesale market structure, a portfolio manager would: aggregate and manage a diverse portfolio of spot-market purchases, contracts-for-differences, futures contracts and other market-hedging-type contracts and mechanisms.

Power Authorities: Quasi-governmental agencies that perform all or some of the functions of a public utility.

Power Pool: An entity established to coordinate short-term operations to maintain system stability and achieve least-cost dispatch. The dispatch provides backup supplies, short-term excess sales, reactive power support, and spinning reserve. Historically, some of these services were provided on an unpriced basis as part of the members' utility franchise obligations. Coordinating short-term operations includes the aggregation and firming of power from various generators, arranging exchanges between generators, and establishing (or enforcing) the rules of conduct for wholesale transactions. The pool may own, manage and/or operate the transmission lines ("wires") or be an independent entity that manages the transactions between entities. Often, the power pool is not meant to provide transmission access and pricing, or settlement mechanisms if differences between contracted volumes among buyers and sellers exist.

Poolco: Poolco refers to a specialized, centrally dispatched spot market power pool that functions as a short-term market. It establishes the short-term market clearing price and provides a system of long-term transmission compensation contracts. It is regulated to provide open access, comparable service and cost recovery. A poolco would make ancillary generation services, including load following, spinning reserve, backup power, and reactive power, available to all market participants on comparable terms. In addition, the Poolco provides settlement mechanisms when differences in contracted volumes exist between buyers and sellers of energy and capacity.

Provider of Last Resort: A legal obligation (traditionally given to utilities) to provide service to a customer where competitors have decided they do not want that customer's business.

Public Interest Goals: Public interest goals of electric utility regulation include: 1) inter- and intra-class and intergenerational equity); 2) the equal treatment of equals (horizontal equity); 3) balancing long- and short-term goals that have the potential to affect intergenerational balance; 4) protecting against the abuse of monopoly power; and 5) general protection of the health and welfare of the citizens of the state, nation, and world. Environmental and other types of social costs are subsumed under the equity and health and welfare responsibilities.

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. This avoided cost rate is equivalent to what it would have otherwise cost the utility to generate or purchase that power themselves. Utilities must further provide customers who choose to self-generate a reasonably priced back-up supply of electricity.

PUHCA: The Public Utility Holding Company Act of 1935. This act prohibits acquisition of any wholesale or retail electric business through a holding company unless that business forms part of an integrated public utility system when combined with the utility's other electric business. The legislation also restricts ownership of an electric business by non-utility corporations.

Q

Qualifying Facility (QF): Under PURPA, QFs were allowed to sell their electric output to the local utility at avoided cost rates. To become a QF, the independent power supplier had to produce electricity with a specified fuel type (cogeneration or renewables), and meet certain ownership, size, and efficiency criteria established by the Federal Energy Regulatory Commission.

R

Real-Time Pricing: The instantaneous pricing of electricity based on the cost of the electricity available for use at the time the electricity is demanded by the customer.

Reliability: Electric system reliability has two components -- adequacy and security. Adequacy is the ability of the electric system to supply the aggregate electrical demand and energy requirements of the customers at all times, taking into account scheduled and unscheduled outages of system facilities. Security is the ability of the electric system to withstand sudden disturbances such as electric short circuits or unanticipated loss of system facilities.

Renewable Resources: Renewable energy resources are naturally replenishable, but flow-limited. They are virtually inexhaustible in duration but limited in the amount of energy that is available per unit of time. Some (such as geothermal and biomass) may be stock-limited in that stocks are depleted by use, but on a time scale of decades, or perhaps centuries, they can probably be replenished. Renewable energy resources include: biomass, hydro, geothermal, solar and wind. In the future they could also include the use of ocean thermal, wave, and tidal action technologies. Utility renewable resource applications include bulk electricity generation, on-site electricity generation, distributed electricity generation, non-grid-connected generation, and demand-reduction (energy efficiency) technologies.

Reregulation: The design and implementation of regulatory practices to be applied to the remaining regulated entities after restructuring of the vertically-integrated electric utility. The remaining regulated entities would be those that continue to exhibit characteristics of a natural monopoly, where imperfections in the market prevent the realization of more competitive results, and where, in light of other policy considerations, competitive results are unsatisfactory in one or more respects. Reregulation could employ the same or different regulatory practices as those used before restructuring.

Research and Development (R&D): Research is the discovery of fundamental new knowledge. Development is the application of new knowledge to develop a potential new service or product. Basic power sector R&D is most commonly funded and conducted through the Department of Energy (DOE), its associated government laboratories, university laboratories, the Electric Power Research Institute (EPRI), and private sector companies.

Resource Efficiency: The use of smaller amounts of physical resources to produce the same product or service. Resource efficiency involves a concern for the use of all physical resources and materials used in the production and use cycle, not just the energy input.

Restructuring: The reconfiguration of the vertically-integrated electric utility. Restructuring usually refers to separation of the various utility functions into individually-operated and owned entities.

Retail Competition: A system under which more than one electric provider can sell to retail customers, and retail customers are allowed to buy from more than one provider. (See also Direct Access)

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

Retail Wheeling: See Direct Access.

RD&D: Research, development and demonstration (see definitions above for "Research and Development" and "Demonstration").

RTG: A Regional Transmission Group. A voluntary organization of transmission owners, users, and other entities interested in coordinating transmission planning, expansion, operation, and use on a regional and inter-regional basis. Such groups are subject to FERC approval.

Rules of Conduct: Rules set in advance to delineate acceptable activities by participants, particularly participants with significant market power.

S

Securitization: An often discussed means of dealing with potential electric utility "stranded costs" is securitization. Securitization refers to the creation of a financial security or bond that is backed by a revenue stream pledged to pay the principal and interest of that security. This device provides utilities an up-front, lump-sum payment from the sale of the security. Securitization requires the creation of a transferrable property right (thus far, through legislation) to collect from the utility's ratepayers a "customer transition charge" or through some other "non-bypassable" obligation placed on ratepayers. The charge is usually, but not always, based on some portion of the utility's "stranded" or uneconomic costs. If this option is exercised by the utility, the property right can be transferred by the utility to a designated trustee, a "bankruptcy remote special purpose entity." The trustee then issues a bond and pays the utility the cash proceeds from the sale of the security in the financial market less transaction costs. The securitized bondholders then have the right to collect the charge from the utility's customers that are obligated to pay it. The utility or distribution company collects the customer charge from the customers and transfers the funds to the trustee that then transfers it to the securitized bondholders. The cash proceeds the utility receives should equal the discounted present value of the customer charge revenue stream.

Self-Generation: A generation facility dedicated to serving a particular retail customer, usually located on the customer's premises. The facility may either be owned directly by the retail customer or owned by a third party with a contractual arrangement to provide electricity to meet some or all of the customer's load.

Self-Service Wheeling: Primarily an accounting policy comparable to net-billing or running the meter backwards. An entity owns generation that produces excess electricity at one site, that is used at another site(s) owned by the same entity. It is given billing credit for the excess electricity (displacing retail electricity costs minus wheeling charges) on the bills for its other sites.

Special Contracts: Any contract that provides a utility service under terms and conditions other than those listed in the utility's tariffs. For example, an electric utility may enter into an agreement with a large customer to provide electricity at a rate below the tariffed rate in order to prevent the customer from taking advantage of some other option that would result in the loss of the customer's load. This generally allows that customer to compete more effectively in their product market.

Stranded Costs/Stranded Assets: See Embedded Costs Exceeding Market Prices.

Stranded Benefits: Public interest programs and goals which could be compromised or abandoned by a restructured electric industry. These potential "stranded benefits" might include: environmental protection, fuel diversity, energy efficiency, low-income ratepayer assistance, and other types of socially beneficial programs.

Sunk Cost: In economics, a sunk cost is a cost that has already been incurred, and therefore cannot be avoided by any strategy going forward.

Supply-Side: Activities conducted on the utility's side of the customer meter. Activities designed to supply electric power to customers, rather than meeting load through energy efficiency measures or on-site generation on the customer side of the meter.

Sustained Orderly Development: A condition in which a growing and stable market is identified by orders that are placed on a reliable schedule. The orders increase in magnitude as previous deliveries and engineering and field experience lead to further reductions in costs. The reliability of these orders can be projected many years into the future, on the basis of long-term contracts, to minimize market risks and investor exposure. (See also "Commercialization.")

SWRTA: The Southwest Regional Transmission Association. A subregional RTG within WRTA, and awaiting FERC approval.

System Integration (of new technologies): The successful integration of a new technology into the electric utility system by analyzing the technology's system effects and resolving any negative impacts that might result from its broader use.

T

Taking: Reducing the value of someone's property through government action without just compensation.

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 cost of electricity during a particular time block. Time-of-use rates are usually divided into three or four time blocks per twenty-four hour period (on-peak, mid-peak, off-peak and sometimes super off-peak) and by seasons of the year (summer and winter). Real-time pricing differs from TOU rates in that it is based on actual (as opposed to forecasted) prices which may fluctuate many times a day and are weather-sensitive, rather than varying with a fixed schedule.

Transition Costs: See Embedded Costs Exceeding Market Prices.

Transmission-Dependent Utility: A utility that relies on its neighboring utilities to transmit to it the power it buys from its suppliers. A utility without its own generation sources, dependent on another utility's transmission system to get its purchased power supplies.

Transmitting Utility (Transco): This is a regulated entity which owns, and may construct and maintain, wires used to transmit wholesale power. It may or may not handle the power dispatch and coordination functions. It is regulated to provide non-discriminatory connections, comparable service and cost recovery. According to EPA Act, any electric utility, qualifying cogeneration facility, qualifying small power production facility, or Federal power marketing agency which owns or operates electric power transmission facilities which are used for the sale of electric energy at wholesale. (See also "Generation Dispatch & Control" and "Power Pool.")

U

Unbundling: Disaggregating electric utility service into its basic components and offering each component separately for sale with separate rates for each component. For example, generation, transmission and distribution could be unbundled and offered as discrete services.

Universal Service: Electric service sufficient for basic needs (an evolving bundle of basic services) available to virtually all members of the population regardless of income.

Utility: A regulated entity which exhibits the characteristics of a natural monopoly. For the purposes of electric industry restructuring, "utility" refers to the regulated, vertically-integrated electric company. "Transmission utility" refers to the regulated owner/operator of the transmission system only. "Distribution utility" refers to the regulated owner/operator of the distribution system which serves retail customers.

V

Vertical Integration: An arrangement whereby the same company owns all the different aspects of making, selling, and delivering a product or service. In the electric industry, it refers to the historically common arrangement whereby a utility would own its own generating plants, transmission system, and distribution lines to provide all aspects of electric service.

Volumetric Wires Charge: A type of charge for using the transmission and/or distribution system that is based on the volume of electricity that is transmitted.

W

WATSCO: The Western Association for Transmission System Coordination.

Wheeling: The transmission of electricity by an entity that does not own or directly use the power it is transmitting. Wholesale wheeling is used to indicate bulk transactions in the wholesale market, whereas retail wheeling allows power producers direct access to retail customers. This term is often used colloquially as meaning transmission.

Wholesale Competition: A system whereby a distributor of power would have the option to buy its power from a variety of power producers, and the power producers would be able to compete to sell their power to a variety of distribution companies.

Wholesale Power Market: The purchase and sale of electricity from generators to resellers (who sell to retail customers) along with the ancillary services needed to maintain reliability and power quality at the transmission level.

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

Wires Charge: A broad term which refers to charges levied on power suppliers or their customers for the use of the transmission or distribution wires.

WRTA: The Western Regional Transmission Association, an RTG.

WSSCC: The Western System Coordinating Council. A voluntary industry association created to enhance reliability among western utilities.

WSSP: The Western Systems Power Pool. A FERC approved industry institution that provides a forum for short-term trades in electric energy, capacity, exchanges and transmission services. The pool consists of approximately 50 members and serves 22 states, a Canadian province and 60 million people. The WSSP is headquarter in Phoenix, Arizona.