

Glossary of Electricity Market Terms

CFD	A contract for differences. A financial contract used by parties wishing to hedge their price risk in electricity or other commodities. One party commits to pay the other a fixed price on a notional quantity of power, and the other party commits to pay a floating price to the first party. The contract is settled by having the party who owes the most pay the difference (hence, the name). Power buyers can use a CFD to offset the uncertainty of their floating spot price for power, and pay a net fixed price instead.
DCB	Distributor Consolidated Billing. A billing method in which the Distributor issues a regular Customer invoice that includes all Distributor and Retailer related costs. The Distributor also collects and remits the Retailer's portion of the invoice.
Energy meter	Also called a glass meter. A meter such as those traditionally found on a house that measures the total amount of energy that moves through the meter. Cumulative consumption is often displayed on a series of dials. See Smart Meter and Interval Meter.
Global Adjustment	The Global Adjustment is sometimes called the Provincial Benefit. A portion of the power produced by OPG and other generators is at regulated rates. If the Hourly Ontario Energy Price is above these regulated rates, then consumers must be credited part of their energy cost, or they will have paid these generators more than the regulated price for the power they produced. If the HOEP is below the regulated price, then consumer must pay more, to ensure the generators are compensated at the regulated level. The Global Adjustment is a monthly adjustment appearing on each consumer's bill that represents the necessary credit or debit to ensure that the power produced by these regulated generators is paid the regulated price.
HOEP	Hourly Ontario Energy Price. The price paid for electricity by consumers who are outside the Regulated Price Plan is based on HOEP. The IESO calculates HOEP from the average price during each hour that the IESO must pay to get generators to produce sufficient power to meet demand in during that hour.
IESO	Independent Electricity System Operator. The IESO manages the high voltage power grid, by telling which generators to run and at what level of output in order that demand for power can be met. The IESO decides which generators to "dispatch" based on price offers submitted by the generators. These prices are used to set a "Market Clearing Price" every 5 minutes, and an "Hourly Ontario Energy Price", which is the average of

	the prices over one hour of the clock.
Interval Meter	<p>A meter that measures the amount of electricity used in each 5-minute, 15-minute, or one-hour interval, together with the date and time the power was used. Interval meters are commonly used for large power consumers, those with demand of 500 kW or more.</p> <p>See Smart Meter and Energy Meter.</p>
ISDA	<p>International Swaps and Derivatives Association Inc. An ISDA agreement is the form of contract most commonly used by parties entering into CFDs. An ISDA can be applied to any form of financial swap contract, whether it be for electricity prices, gas prices, interest rate swaps, foreign exchange rate swaps, or any other risk management activity.</p>
kW, MW, GW	<p>A measure of power, or demand. 1 kW (one kiloWatt) equals one thousand Watts. 1 MW (one MegaWatt) equals one million Watts, or one thousand kilowatts.</p> <p>One GigaWatt is a billion Watts or a thousand MegaWatts.</p> <p>One Kilowatt is enough electricity to light 10 100watt lightbulbs</p>
kWh, Mwh, GWh	<p>A measure of energy or work. 1 kWh (one kiloWatt-hour) equals one thousand Watt-hours (energy flowing at the rate of one kiloWatt for a period of one hour). 1 MWh (one MegaWatt-hour) equals one million Watt-hours, or one thousand kilowatt-hours.</p> <p>One GigaWatt-hour is a billion Watt-hours or a thousand MegaWatt-hours.</p> <p>On Kilowatt hour is the amount of electricity to light 10 100 watt light bulbs for one hour.</p> <p>There are 8,760 hours in a normal year and 8,784 in a leap year.</p>
LDC	<p>Local Distribution Company. The local electric utility that takes power from the high voltage transmission grid and distributes it at reduced voltage to individual consumers.</p>
OEB	<p>Ontario Energy Board. A provincial energy regulatory body. The OEB regulates the rates charged by local electric utilities, approves the cost of service of the IESO, and the OPA, and will soon take responsibility for setting the price on the regulated output of OPG. The OEB also licences various market participants and develops codes that the participants</p>

	must follow.
OPA	Ontario Power Authority. A not-for-profit agency created by the provincial government to promote the development of new generation capacity, conservation programs, and the development of the electricity market.
OPG	Ontario Power Generation. Owned by the provincial government, OPG is the power generation arm of the former Ontario Hydro.
OPG Rebate	A portion of the power produced by OPG is subject to an annual revenue cap. The OPG Rebate is paid to consumers each quarter if the revenue earned by OPG exceeds the cap, to refund the excess to consumers. There is no rebate and no debit if revenue has been below the cap. The OPG Rebate is currently scheduled to be in effect until May, 2009.
Provincial Benefit	See Global Adjustment
RCB	Retailer Consolidated Billing. A billing method in which the Retailer issues a regular Customer invoice that includes all Distributor and Retailer related costs. The Retailer also collects and remits the Distributor's portion of the invoice.
Retail Settlement Code	A code approved by the Ontario Energy Board that establishes distributors' obligations and responsibilities associated with financial settlements among retailers and consumers. The code also facilitates consumer transfers among competitive retailers.
RPP	Regulated Price Plan. An electricity rate plan regulated by the Ontario Energy Board for low volume and designated users. The RPP covers only the electricity commodity charge and is based on a two-price structure, depending on monthly consumption. Enrolment in the RPP is automatic, however, consumers may "opt-out" of the plan by contracting with a registered competitive retailer or by installing an interval meter and electing to pay wholesale market price.
Smart Meter	A meter designed to measure and electricity consumption together with the time of day and day of the week that the consumption occurred. The provincial government has a stated goal of replacing energy meters with smart meters. Smart meters allow rates to be set that will charge more for electricity that is used during high demand periods, and less for electricity that is used off-peak.
Watt	A measure of the power, the flow of energy. A Watt is equal to one Joule of energy per second. The symbol for Watts is a capital W, as it is named for James Watt, inventor of the steam engine.

Is there a term you would like to see added to this Glossary? Send your idea to cslinger@aegent.ca