

Glossary of Terms

Aggregator - an entity licensed by the DPUC that brings a group of consumers together to buy energy in bulk. The group of consumers is called a buying group.

Back-up Service - (effective January 1, 2000 forward) the electric generation service that a consumer will receive from their electric distribution company if their electric supplier stops providing energy. However, no service will be provided if a consumer has not paid their bill. This is intended to be a temporary service until the consumer chooses another supplier or standard offer service.

Competitive Market - opening the electric market to the sale of electricity by various electricity suppliers.

Competitive Transition Assessment (CTA) - the part of a consumer's electric bill that allows the electric distribution company to recover stranded costs.

Congestion - Congestion exists when one or more restrictions, or bottlenecks, exist on the transmission system which prevents the economic, or the least expensive, supply of energy from serving the customer demand. Some transmission lines may not have enough capacity to carry all the electricity to meet customer demands in a particular location.

Default Service - (starts as of January 1, 2004) the electric generation service provided to any consumer who does not or is unable to arrange for or maintain electric generation services with an electric supplier.

Delivery Charges - the charges on an electric customer's bill for the delivery or movement of electricity over the transmission and distribution system from the source of generation to the customer.

Demand Side Management (DSM) - the planning, implementation and evaluation of conservation and load manipulation to use electricity more efficiently.

Department of Public Utility Control (DPUC) - the agency of the State of Connecticut government that regulates the investor-owned public utilities of electricity, gas, water, and parts of telecommunications and cable television service. The DPUC will license electric suppliers, educate consumers about electric retail competition and provide ongoing information and assistance to consumers regarding the competitive electric market.

Divestiture - the separation of one utility function from others by selling or changing ownership of assets related to that function. Most commonly associated with spinning-off generation assets so they are no longer owned by the regulated utility that owns the transmission and distribution assets.

Electric Generation Company - a company that generates/produces electricity for sale in a competitive market.

Electric Distribution Company - the company that delivers electricity to the retail consumer's home or business through the system of poles, wires, conduits or other fixtures along public highways or streets.

Electric Supplier - an entity (including an electric aggregator or participating municipal electric utility) licensed by the DPUC to provide electric generation services to consumers. With electric choice, consumers can choose their electric supplier. The power is then delivered by the consumer's

Glossary of Terms

electric distribution company.

Electric Transmission - the delivery of electricity from a generation company to an electric distribution company over high-voltage power lines.

Energy Adjustment Charge (EAC) - The energy adjustment clause is a billing recovery mechanism that can be included on customers bills after the appropriate DPUC approval process. The EAC only recovers costs not previously authorized through base rates. These costs may include, but are not limited to, the costs of fuels and energy transactions with other utilities, nonutility generators or power pools, all or part of the cost of conservation and load management and associated taxes.

Energy Conservation and Load Management Fund (ECLMF) - the fund established to develop and implement cost-effective energy conservation programs and market transformation initiatives. The DPUC approves all programs under the ECLMF. Funding is provided by the conservation and load management charge on electric customers' bills.

Energy Conservation Management Board (ECMB) - the board that advises and assists the electric distribution companies in the development and implementation of a comprehensive Energy Conservation and Load Management Program.

Grid - the network/system of interconnected transmission and distribution lines.

Independent System Operator (ISO) - an independent entity that operates the electric power grid to coordinate generation and transmission. For the New England states, it is ISO-NE.

Load Response Program – an incentive program developed by ISO-NE to promote demand reductions by customers during times of peak usage.

Office of Consumer Counsel (OCC) - an independent state agency that works to ensure all Connecticut consumers receive the highest level of utility services with the lowest cost.

Reliability Must Run Contract (RMR) - RMR contracts represent another cost pressure on rates. Current transmission system inadequacy requires all existing generating plants to remain available, thus ensuring enough generation to meet customer demand. RMR contracts, which are regulated at the federal level, ensure reliability by paying generators to make sure their plants are available to operate, even if only for a few peak demand periods. RMR contracts are used in areas like southwest Connecticut where more cost-efficient generation cannot be delivered because of transmission congestion. RMR cost components include maintenance and operating costs and income and property taxes. RMR costs are billed through the ISO-NE. Customers pay these costs to utilities, which pays the ISO, which then pays the holder of the contract.

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

Renewable Energy Investment Fund (REIF) - The fund created to promote the growth, development and commercialization of renewable energy sources. REIF is funded by a charge on all electric customers' bills and is administered by Connecticut Innovations, Inc.

Securitization - a method of refinancing stranded cost debt through a trust created by legislation for

Glossary of Terms

the purpose of issuing bonds backed by anticipated revenue of a utility.

Standard Offer Service - (effective January 1, 2000 through December 31, 2003) the energy that was supplied by an electric distribution company to consumers who chose an electric supplier. The standard offer rate (for the consumer's total electric service) was 10% less than the base electric rates of December 31, 1996.

Standard Market Design (SMD) – On March 1, 2003, ISO New England will implement a major redesign of the set of rules and procedures for the New England wholesale electricity market. The foundation of SMD is locational marginal pricing and multi-settlement system. The goal of SMD is to provide predictable results: greater economic efficiency and competition, maintain power system reliability and reasonable wholesale electricity prices.

Stranded costs - the long-term debt and expenses utilities have incurred through contracts with power producers, and other long-term investments, such as, power plants, approved by state and federal agencies, that cannot be supported in a competitive electric market or that are above the market price for electricity.

Systems Benefits Charge (SBC) - the charge on each electric customer's bill that covers certain regulatory and energy public policy costs, such as public education and hardship protection.

Unbundling - the breaking down of electric utility service into its component parts (i.e., generation, transmission and distribution services) so that each part can be billed or sold separately.