

Half Hourly Power
Glossary Megawatt
Load curve Tranches Baseload
Dark spread
Hedging

Foreword

The aim of this glossary is to provide you with a useful reference to interpret the language of energy commodity, risk management and energy trading.

You may also find this glossary a useful resource tool for educating key stakeholders within your business, including employees, customers and shareholders.

If you prefer we can supply this glossary to you digitally, please speak to your Account Manager for more information.

A limit on monthly maximum demand
Capacity agreed between the user
and the regional distributor.

A

AQ (Annual Quantity)

This is the annual quantity of gas off-taken, or which may be reasonably likely to be off-taken, by a single supply point or connected system exit point.

Argus

Energy industry trade publication.

B

Baseload

The minimum amount of electric power delivered or required over a given period of time at a steady rate.

Baseload capacity

The generating equipment normally operated to serve loads on an around the clock basis.

BETA

British Electricity Trading Arrangements.

Bid

The price a buyer is willing to buy at.

Biomass

Biomass is a collective term for all plant and animal material. A number of different forms of biomass can be burned to produce energy.

BSUoS

Balancing Services Use of System (electricity charge).

C

Calorific value

A measure of the energy content within a volume of gas. Used to convert the metered gas volume into energy.

Cap

A supply contract between a buyer and seller, whereby the buyer is assured that he or she will not have to pay more than a given maximum price.

Capacity

A limit on monthly maximum demand agreed between the user and the regional distributor.

Carbon credits

A credit or permit arising from a greenhouse gas emissions reduction scheme, such as emissions trading.

Carbon Trust

An independent not for profit company set up by the Government with support from business to encourage and promote the development of low carbon technologies.

CCGT

Combined Cycle Gas Turbines.

CHP

Combined Heat and Power.

Climate Change Levy (CCL)

Paid by suppliers on behalf of non-domestic customers at a level of £4.30/MWh from 1 April 2001.

Cubic feet

Unit of measure for volume of gas recorded by imperial meters.

Cubic metres

Unit of measure for volume of gas recorded by metric meters. One cubic metre = 35.31 cubic feet.

D

Dark spread

Difference between the price of electricity and the price of coal. Profit margin for a coal powered generator.

Day-ahead market

The market for energy for the following day, or more specifically, the market for energy 24 hours in advance of a given time in any day.

Delivery charge

A fee levied by an electric utility for the actual delivery of electricity to a customer. The charge is applied to cover system reliability, emergency response and outage recovery charges.

Demand

The rate at which electric energy is used in any instant or average over a period of time. Usually expressed in kilowatts (kW).

Demand charge

The portion of a gas or transportation charge that reflects a customer's contract requirements. Usually a set monthly fee, based on contract requirements.

Deminimus rule

If the amount of gas supplied to a commercial site is less than 5 therms/145 kWh per day over a billing period then VAT will be charged at the reduced rate (currently 5%).

DM

Daily Metered (gas metering).

DNO

Distribution Network Operators are ex Public Electricity Suppliers that came into existence on 1 October 2001.

DUoS

Distribution Use of System (electricity charge).

E

EFA

Electricity Forward Agreement.

F

Firm gas

A firm supply of gas is one that is guaranteed for a fixed period and will not be subject to an interruption or closure.

Firm power

Power or power producing capacity. Intended to be available at all times during the period covered by a guaranteed commitment to deliver, even under adverse conditions.

Fixed cost

Production or transmission related expense which must be paid regardless of whether the energy is produced or sold. Fixed costs can include capital costs, labour and maintenance charges, taxes and demand charges among others.

Fixed price

A price that cannot or will not be changed.

Flat rate

1. An electricity rate with one single component price which includes charges for all services related to energy provision.
2. A flat rate for each kilowatt hour of energy consumed, not a fixed price for an unlimited quantity of energy.

Forward buying

1. The acquisition of energy or related services in advance of need.
2. Used primarily to ensure continuous, uninterrupted service by ensuring future supplies of energy, availability of transmission access and other needed delivery services.

Forward rate

1. An interest rate calculated on a loan to be granted in the future.
2. Calculated using an equation that balances the current interest rate against projected interest rates, and the eventual rate may be subject to change at the time the loan is actually granted unless the rate is locked in some manner.

G

Gas nominations

Nomination deadlines are where each pipeline has a scheduled deadline before which shippers must book gas for the following month.

Gigawatt (GW)

One million kilowatts.

Gigawatt hour (GWh)

One million kilowatt hours.

H

Hedging

A trading strategy designed to minimise exposure to an unwanted price risk.

Hedging agreement

An agreement that mitigates or limits risk (ie price risk).

Heren

Energy industry trade publication.

Power or power producing capacity. Intended to be available at all times during the period covered by a guaranteed commitment to deliver, even under adverse conditions.

Firm power

Heren index

A range of indices that energy prices can be tracked against.

HH (Half Hourly electricity metering)

Since April 1998, Half Hourly meters (HH) have been mandatory for all sites over 100 kW, and voluntary for sites under 100 kW. Half Hourly metering records the energy consumption during each half hour throughout the day.

HMRC

Her Majesty's Revenue and Customs.

Hour-ahead market

As the term implies, the market for the electrical energy that can be delivered to the customer for use in the next hour.

I

Indexed

Linked to a specific "index" used to track market movement.

Indices

Indices are statistical measures of change in the markets.

Industrial and Commercial site (I&C)

A site with an annual gas consumption of more than 73,200 Kilowatt hours or 2,500 therms.

Interconnector

A cable connection allowing electricity to flow between two countries or markets. There are interconnectors between the north of England and Scotland and between the south of England and France.

Interruptible gas

Gas made available under agreements permitting the supplier to terminate, or interrupt deliveries, usually for a limited number of days in a specific period. Usually sold at a reduced price.

Interruptible load

Refers to program activities that, in accordance with contractual arrangements, can interrupt consumer load at times of seasonal peak load by direct control of the utility system operator or by action of the consumer at the direct request of the system operator.

K

Kilovolt Amperes (kVA)

A method of measuring the size of the electricity supply.

Kilowatt (kW)

One thousand watts.

Kilowatt hour (kWh)

The basic unit of electric energy for which most customers are charged. The amount of electricity used by ten 100 watt light bulbs left on for one hour.

Kyoto Agreement

An agreement made in Kyoto Japan in December 1997 under which industrialised countries including Japan and European Union states promise to adopt specific goals and time lines for nationwide reductions of greenhouse gas emissions between 2008 and 2012.

L

Levy Exemption Certificates (LEC)

Certificate to prove customers have received electricity from a renewable or sustainable source.

Line Loss Factor (LLF)

Energy waste resulting from the transmission of electrical energy across power lines.

Liquidity

A measure of the number of deals being transacted in a market, the ease at which a trader can buy/sell.

Load curve

The distribution of power requirements over time. When plotted on a graph, time is usually depicted as the horizontal axis and load as the vertical axis.

Load factor

Ratio of average energy demand (load) to maximum demand (peak load) during a specific period. Usually stated as a percentage, or number of hours used.

Lock-in

Commitment to purchase energy for a particular contract term at a particular price.

Long position

A trader with a surplus of a commodity they want to sell. The trader benefits if prices rise.

M

Market price

The price that parties are able to contract at in the marketplace at a point of time.

Mcf

One thousand cubic feet of gas.

Measurement class

Determines whether an electricity meter records consumption Half Hourly (HH) or is non Half Hourly (NHH).

Megawatt (MW)

One thousand kilowatts.

Megawatt hour (MWh)

One thousand kWh. A 1MW power generating unit running for 1 hour produces 1MWh of electrical energy.

MMcf

One million cubic feet.

N

National Grid

The National Grid owns the main transmission systems and is responsible for transmitting the electricity from the generator to the local DNO's area.

NDM

Non-Daily Metered (gas metering).

NETA

Electricity trading arrangements that were introduced on the 27 March 2001 and applied to England and Wales.

NHH

Non Half Hourly (electricity metering).

Nominated Consumption

The expected consumption of gas over a 12 month period used in a supply agreement.

O

Offer

The price a seller is willing to sell at.

Ofgem

Industry regulator for England, Wales and Scotland, OFREG in Ireland.

P

Pass through charge

Some price elements relating to charges received from third parties can be excluded from price calculations. The actual value of the charges when received will be 'passed through' as an additional item on the invoice.

Peak load

Power delivered from 7am to 7pm, Monday to Friday only.

Peaking capacity

Capacity of generating equipment normally reserved for operation during the hours of highest daily, weekly or seasonal loads.

Power

Electricity.

R

RCRC

Residual Cashflow Re-allocation Charge (electricity charge).

REC

Formally used to define Regional Electricity Company. The UK is split into local electricity regions. Each REC is responsible for supply to domestic, commercial and industrial customers in its area.

REGO's

Renewable Energy Guarantees of Origin.

Renewable energy

Energy obtained from sources that are essentially inexhaustible, unlike, for example, the fossil fuels of which there is a finite supply. Renewable sources of energy include wood, waste, geothermal, wind, photovoltaic, and solar thermal energy.

Renewables obligation

A requirement on licensed electricity suppliers in Great Britain to source a rising percentage of their annual sales from eligible renewable sources, rising up to 10.4% in 2010.

Renewables Obligation Certificates (ROCs)

Certificate to prove customers have received electricity from a renewable source.

Difference between the cost of gas and the price of electric
Spark spread power produced. A positive spread indicates
that the value of the power is higher
than that of the gas used to generate it.

S

Short position

A trader with a shortage of a commodity they must buy. The trader benefits if prices fall.

Spark spread

Difference between the cost of gas and the price of electric power produced. A positive spread indicates that the value of the power is higher than that of the gas used to generate it.

Spot market

The Spot market is a method of purchasing contracts at a single volume price for a short duration. The duration of these contracts is typically less than a month.

Spot purchases

A single shipment of fuel or volumes of fuel, purchased for delivery within one year. Spot purchases are often made by a user to fulfil a certain portion of energy requirements, to meet unanticipated energy needs, or to take advantage of low fuel prices.

Strike price

1. The price at which the underlying futures contract is bought or sold in the event an option is exercised.
2. The exercise price.

System Buy Price (SBP)

The price paid in the balancing mechanism by a party that requires more energy to meet its contractual commitments. Prices are often volatile and very high.

System Sell Price (SSP)

The price paid in the balancing mechanism by a party that has produced more electricity than it had users to buy. Prices are very volatile and often negative, meaning that a payment would need to be made to dispose of the unwanted electricity produced.

T

Terawatt (TW)

One billion kilowatts.

Terawatt hour (TWh)

One billion kilowatt hours.

Therm

A therm is an imperial measure of heat energy equivalent to 29,3071 kilowatt hours. Therms have been largely replaced by kilowatt hours as the standard unit of measure on gas bills and supply agreements.

Tranches

Set periods or quantities of time in which energy can be purchased.

Transmission

The transfer of electricity at high voltage from power stations across the UK through wires on pylons to points where it can be distributed to users.

Transportation charges

The charges associated for the transmission of gas through the National Transmission System.

Triad

The National Grid takes readings of maximum demands three times a year. The average of the three readings is used by the National Grid to calculate the transmission charges.

TUoS

Transmission Use of System.

W

Watt

The electrical unit of power. The rate of energy transfer equivalent to one ampere flowing under a pressure of one volt at unity power factor.

Watt hour (Wh)

An electrical energy unit of measure equal to one watt of power supplied to, or taken from, an electric circuit steadily for one hour.

Gigawatt
Capacity Demand
Renewable

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