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Electricity Price Components

Competitive energy markets have come a long way in bringing more options to commercial and industrial and even residential customers. In areas that are deregulated, retail electricity providers can now customize pricing offers with anywhere from 15 to 30 cost components that can be tailored to specific consumer risk requirements. This has allowed buyers to make more strategic procurement decisions based on key operational priorities and energy usage patterns, but it has also added a new layer of complexity to the way energy is priced. Electricity costs can be grouped into two basic categories – energy and delivery.

The usually greatest component of the total cost is supply energy costs, which represent the actual price of energy a customer consumes. Every customer in every regional competitive market is subject to the costs involved with these components, which include hub energy, zonal basis, shape, straddle, imbalance and losses. Together, these types of factors account for roughly 75 percent of the total bill and can be very volatile, making it difficult to predict future costs.

The remaining components are included in the delivery category. This portion of the breaks down the cost to flow energy from the output side of the generator to a meter into three subcategories: transmission costs, ancillary services and capacity costs. These components are much less volatile and change less often. They are also driven mostly by regulatory bodies and independent system operators who manage the reliability of the electric grid. As a result, the cost associated with these variables largely depends on the construct of the regional market in which power is procured. For example, in PJM customers pay all these factors yet in Texas, ERCOT is an energy-only market and consumers do not pay transmission and capacity components. Customers should know how cost components are structured and the potential methods suppliers can use to present these variables in a product offer.

Line loss covers the costs that are dissipated in transmission and distribution lines. Losses could be included in the total price or appear as a volume adjusted item at the time of billing. Although the latter may seem more attractive in a proposal, the actual calculated cost on the bill may be a lot higher than the charge associated with a contract that includes losses in the total price.

Electricity Pricing – Dec 10, 2013 Com Ed Average LMP Electric Price

Time Period	Average per Kwh
Dec, 2012	\$.03081
Jan, 2013	\$.03111
Feb, 2013	\$.03219
Mar, 2013	\$.03665
Apr. 2013	\$.03821
May, 2013	\$.03501
Jun, 2013	\$.03215
Jul, 2013	\$.04067
Aug, 2013	\$.03112
Sep, 2013	\$.03274
Oct, 2013	\$.03183
Nov, 2013	\$.03087
Dec 1 – Dec 9	\$.03222

Extended Temperature Forecast: Chicago Area

	Tue	Wed	Thu	Fri	Sat
High	22	18	21	30	31
Low	8	4	19	26	19

