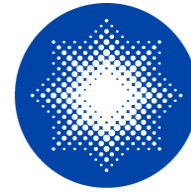




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# **A Retail Electric Perspective on Billing and Settlement**

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Presented to the NAESB GECTF

by Ed Berman

January 2004

# Importance of Hourly Accounting In The Context of Wholesale-Retail Interaction

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- ◆ Two market transactions are valued based on hourly patterns of retail megawatt-hour usage
  - Wholesale supply of retail customers settled by the regional pool
  - Wholesale supply of local distribution companies billed out by the wholesale supplier
- ◆ Both transactions rely on **hourly** electric usage data to “price up” the value of the supply
- ◆ Both transactions are settled, explicitly or implicitly, by real time accounting of hourly usage on a day-after basis (and sometimes day-ahead basis)

# Transaction 1: Wholesale Supply of Retail Customers Settled By The Regional Pool

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- ◆ PJM LDCs “settle” the wholesale supply of retail customers by estimating and reporting hourly usage values for each supplier to the regional pool
- ◆ Load estimation and reporting is a data- and time-intensive process performed each day
- ◆ Firm deadlines (12 Noon at PJM) require daily settlements organized around a “day after” template
- ◆ The settled hourly load values are used by the regional pool to ensure that the monthly bill generated to each participating wholesale supplier accurately accounts for supplier load responsibility

## Transaction 2: Wholesale Supply Of LDCs Billed Out By The Wholesale Supplier

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- ◆ Wholesale suppliers bill the LDCs
  - This **billing is often based on the same hourly usage accounting** described under Transaction 1
- ◆ **Settled hourly usage should match the system load** served by the supplier; energy, capacity, transmission, and ancillary **charges should balance with daily power pool accounting**
- ◆ **The main point:** the time-sensitive, daily settlement of hourly load values on a day-ahead basis are used to ensure correct accounting for all wholesale-retail market interactions (energy, capacity, transmission, and ancillary)