Key Electricity Market Terms

ISO / RTO
Regional organizations that coordinate grid operations and administer wholesale markets. RTOs generally have broader transmission planning responsibilities.

Interconnection queue
Process for studying a proposed grid connection and identifying required upgrades, costs, and conditions.

Tariff
Approved rates, rules, and terms governing electric or transmission service.

Load-serving entity
Entity responsible for obtaining electricity for retail customers, such as a utility, municipality, or retail supplier.

Dispatch
Instructions that determine which resources operate and at what output, subject to reliability and network limits.

Capacity market
In some regions, procures future commitments from resources to be available when needed.

Day-ahead market
Schedules and prices electricity for the next operating day from bids, offers, and expected conditions.

Real-time market
Adjusts dispatch and prices as actual conditions differ from day-ahead schedules.

Locational marginal price (LMP)
Wholesale price at a specific location, reflecting marginal energy, congestion, and losses.

Congestion
Network limits that require redispatch and may produce different wholesale prices across locations.

Financial transmission right (FTR)
Financial right tied to a specified difference in congestion prices. It provides no physical delivery right or outage protection.

Ancillary services
Operating services, including reserves and frequency regulation, that help maintain grid reliability.

Reference definitions are simplified. Market structures and terminology vary by region.