



Understanding Fixed & Variable Rates

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PAPowerSwitch
Pennsylvania Public Utility Commission

The Public Utility Commission (PUC) wants you to be able to make an informed decision when choosing an electric generation supplier (supplier). While the PUC does not have the authority to tell suppliers what products to offer or prices to charge customers, we do encourage licensed suppliers to list their products and prices on www.PAPowerSwitch.com (PAPowerSwitch).

PAPowerSwitch provides much of the information that you need right at your fingertips. Before committing to any agreement with a supplier, you should always read the contract thoroughly and understand the product you are purchasing, its price, when the contract ends, cancellation or other fees, and any other terms and conditions that apply — including if and when the price may change.

*When choosing your supplier, one of your most important decisions is whether to go with a **fixed-** or **variable-rate product.***

FIXED & VARIABLE RATES

There is a difference between fixed and variable rates. You will want to find out if the supplier offers fixed or variable rates, and understand the advantages and disadvantages of each.

FIXED RATES	VARIABLE RATES
<p>An all-inclusive, per-kWh price that will remain the same for at least three billing cycles or the term of the contract, whichever is longer. A fixed price will remain the same, usually for a set period of time. This will give you certainty that your price will not change during the term of the agreement.</p>	<p>An all-inclusive, per-kWh price that can change by the hour, day, month, etc., according to the terms and conditions in the supplier’s disclosure statement. If you select a variable rate, the rate may change with market conditions.</p>
<p>If market prices fall, you may have to wait until your contract expires to get a lower price.</p>	<p>If market prices increase, your rate may increase. If market prices drop, your rate may decrease.</p>
<p>The certainty of getting a fixed rate could cost you a little more money.</p>	<p>If you follow energy market prices and adjust your electric usage accordingly, you may save money.</p>
<p>Provides stability, especially when you’re budgeting your electricity costs.</p>	<p>Changing rates may make it hard to predict your monthly bill and budget your expenses.</p>
<p>Long-term, fixed-price contracts may have cancellation fees. Be sure to ask your supplier/read your contract for the terms and conditions.</p>	<p>Variable contracts often do not have an early cancellation fee, but check with your supplier. Make sure you read and understand your contract for the terms and conditions.</p>
<p>Extreme weather temperatures will not change your fixed rate. However, your electric usage may increase because of the extreme temperatures - creating an increase in your bill.</p>	<p>During extreme hot or cold temperatures, wholesale electric prices may increase dramatically, which may increase your price per kWh. In addition, extreme temperatures may increase your electric usage, which further increases your bill.</p>

NOTE: Cold and hot temperatures may increase the use of your heating and cooling units which, in turn, will translate into higher energy bills, whether you are on a fixed or variable rate.

SUPPLIER RENEWAL AND OPTIONS NOTICES

Prior to a contract expiring, or whenever a supplier proposes to change the terms of the service in the contract, you should receive two notices from your current supplier. These notifications will explain your options going forward. Suppliers should send out an initial renewal notice 45 to 60 days prior to your contract's expiration date.

Additionally, the supplier should provide you with an options notice at least 30 days prior to your contract's expiration, which includes:

- the specific changes to the terms of service being proposed;
- information on new prices;
- an explanation of the customer's options and how to exercise those options;
- the date by which the customer must exercise one of the options;
- the telephone numbers and website addresses for the PUC and the Office of Consumer Advocate; and
- the electric distribution company's Price to Compare.

Make sure you read these notices, as they will assist you in making the decision to stay with your current supplier or shop for another supplier.

IMPORTANT: *If you choose to take no action with your renewal and options notices, your rate may change once the contract expires. For example, a fixed rate may change to a monthly variable rate. If you have a variable rate, once the term expires, you may be moved to a different variable rate that could be higher.*

SWITCHING SUPPLIERS

Currently, when you enroll with a supplier, it takes three (3) days for the switch to occur, happening after your next meter read.

When you choose a new supplier, in most cases you should be able to receive a single monthly bill from your electric utility. However, some suppliers might want to bill you separately. In this case, you would receive two bills, one from your utility and one from the supplier.

If you switch from one supplier to another, check your contract's disclosure statement to see if you will be charged a cancellation fee or a penalty/switching fee.

www.puc.pa.gov
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