Article Side

What is the difference between a variable rate and fixed rate plan?

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Deregulation of the energy sector in Texas provides users across the state a consumer-oriented market scenario. Consumers are now able to find the right Texas Electricity Company from whom they can buy Business Electricity, for commercial purposes as well as domestic consumption. A value addition to Electric Choice program is that one can chose the Electric Rates at which to buy electricity.

Electricity Rates offered by each of the suppliers varies depending on the source from which the energy is generated. Hence natural gas-based electricity is least priced while â€˜greenâ€™ or non-fossil-based electricity generation comes with a premium tag. Therefore, subject to the electric type one can chose a electric plan.

Again, Texas Electric companies offer a range of electricity rate plans. Besides, these plans are tailored to meet a wide-spectrum of consumption patterns. Consumers who seek to maximize these opportunities can typically choose between rate and fixed rate plan.

First a look at the two data plans-

Fixed rate electricity plan is for such consumers who are looking for the same electric rates for a long period, such as six months, one year or two year.

Advantage of FREP-The usefulness of this rate plan is that the price will remain the same for a fixed period. This will not only protect you from electricity rate inflation but will also ensure consistency in budgetary plans for energy consumption for the agreed upon period.

When consumers opt for a fixed electricity rate plan, an agreement is drawn up between the consumer and the electricity supplier such that the supplier guarantees the consumer supply of electricity at the same rate for every KWh of electric consumed.

Disadvantage of FREP- If you have just bought a long term contract to buy electricity at $X rate and there is a sudden fall in prices and electric rates fall to $(X-5), you cannot ask for the lower rates but continue to pay your original rates.

TIP- There is a possibility to opt for an average rate to be calculated if you are consistent and loyal consumer of a particular supplier. In this case you will pay the same price, whether prices fall or rise and you balance out with long-term gains.

Variable Electricity Plan- is simply the opposite of the fixed electric rate plan and you will pay the market-determined or the real-time market price of electricity each month. Texas electricity companies will charge as per the energy market conditions. Disadvantage is that if prices rise phenomenally, then consumers will have to pay the higher rates per unit they consume.

Hence, be a smart energy consumer. Choose your electricity rate plan with care and after detailed examination of your Electric Choice

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