The variation around regression line is Residual Variation.

The difference between the observed value of the dependent variable (y) and the predicted value (ŷ) is called the residual (e). Each data point has one residual.

Residual = Observed value - Predicted value

e = y – ŷ

which is, vertical distance between observed data point and regression line.

Residuals can be thought as outcome(Y) with the linear association of the predictor(X) removed.

Residual variation is different from systematic variation.