

## **Maximizing Energy Efficiency: Combining Peak Load Management and Summer Cost Reductions**

As summer approaches, it's the perfect time to explore how you can minimize your energy costs and make your business more efficient. In this blog post, we'll discuss two valuable strategies: peak load management and cost reductions during the summer months. Let's discover how these approaches can work together to optimize your energy consumption and savings.

### **What Is Peak Load Management and Why Does It Matter?**

Peak load management involves making targeted adjustments to your energy usage during periods of high demand on the electrical grid. These peak hours are typically between 2 and 6 PM on the hottest days, usually in July, August, and September. By reducing your peak consumption during those peak hours, you can lower your overall energy costs. This proactive approach results in mitigating current utility charges but also allows you to have more control over your capacity charges the following year.

### **What are Capacity Charges?**

In order to ensure that there is enough generation to handle the peak energy requirements on the most demanding days, an organization named PJM administers an auction for our region which establishes a price that generators of electricity are paid for their commitment to be able to maintain supply aka "Capacity." This annual pre-negotiated rate is listed as a "Capacity Charge" on your bills:

#### **DETAILED CHARGES (Con't)**

##### **■ Market Charges**

Ancillary Services	76,469.00 kWh	\$0.0027794/kWh	\$212.54
Auction Revenue Rights Credit	183.80 KW	-\$1.8686396/KW	-\$343.51
Balancing Congestion Charge	76,469.00 kWh	\$0.0008586/kWh	\$65.66
<b>Capacity Charge</b>	<b>186.55 KW</b>	<b>\$2.2346608/KW</b>	<b>\$416.88</b>
Market Energy - Day Ahead	76,469.00 kWh	\$0.0562457/kWh	\$4,301.06
FERC Order 745	76,469.00 kWh	\$0.0000086/kWh	\$0.66
Reliability Must Run	183.80 KW	\$0.0000000/KW	\$0.00
Renewable Portfolio Standards	76,469.00 kWh	\$0.0109750/kWh	\$839.25
Transmission Loss Credit	76,469.00 kWh	-\$0.0009448/kWh	-\$72.25
Transmission Service	183.83 KW	\$4.7972989/KW	\$881.89
Transmission Enhancement Reallocation	183.83 KW	\$0.0776334/KW	\$14.27
<b>Subtotal Market Charges</b>			<b>\$6,316.45</b>

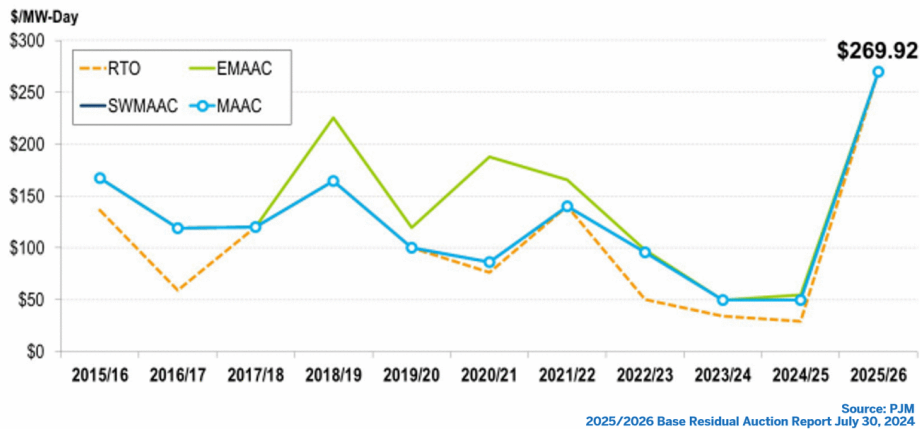
The most recent PJM capacity auction for planning year June 2025/26 resulted in much higher clearing prices than we have seen in the recent past. As businesses plan for future budgets, it's important to understand these results. In addition, we wanted to share some information about actions businesses could potentially take to help reduce overall energy costs and mitigate budgetary impacts.

## What Were the PJM Capacity Auction Results?

- Record-high \$269.92/MW-day results. **9x increase** from its previous 2024/25 auction of \$28.92/MW-day; demand is anticipated to outweigh supply.
- Dominion and BGE are more expensive than other generators (\$444.26 and \$466.35, respectively).

These new rates officially start 6/1/2025.

### Historical BRA Clearing Prices by Delivery Year by Locational Delivery Area



## What Does This Mean for Me?

The consumption associated with that Capacity Rate was established based on your building's demand during the grid's Coincident Peak days *last year*. For BGE territory, it was the 5 highest grid demand days in 2024 – June 21<sup>st</sup>, July 15<sup>th</sup>, July 16<sup>th</sup>, August 1<sup>st</sup>, and August 28<sup>th</sup>.

Since Capacity Rates are already locked in, you might not be able to change the past. BUT by tweaking a few things now and having a lower demand during upcoming peak days, you could save a few dollars this year AND reduce your future capacity charges.

## How can I Reduce Energy Costs this Summer:

The summer months present an excellent opportunity to implement energy-saving practices. Consider the following strategies to cut costs and improve efficiency during the hot season:

- Peak load management:** Adjusting the timing and order of energy-heavy tasks can lead to significant cost reductions. Moving those activities to take advantage of off-peak hours can minimize your energy expenses. If your building cannot shift its peak demand to off hours, such as in office or retail occupancies, participating in a peak load management program can help you target high-cost periods and reduce capacity

charges by strategically reducing your loads during those times where the grid is under the most demand. This will both reduce your energy bill and help lower your capacity charge for the following year

**b. Talk with your tenants:** where possible, have your tenants adjust schedules and set points around their hours and days they may be remote. While staying within the confines of the lease, encourage voluntary peak response efforts; work with them to adjust set points higher, 75-77 degrees, or discuss tweaking hours and reducing computing and human loads.

**c. Tune Up Your Heating and Cooling:** Regular maintenance and tune-ups for your HVAC systems can ensure optimal performance and energy efficiency. Additionally, by retro-commissioning your HVAC system, you can verify and enhance its settings and configurations, maximizing its efficiency and minimizing costs.

**d. Purchase Energy Efficient or Co-gen technology:** HVAC systems and lighting are two of the biggest building energy users that building owner and operators have control of. Upgrading to more efficient equipment and controls can significantly reduce your energy consumption and operating expenses. Investing in co-gen technology or on-site renewable generation such as solar panels and battery systems can help reduce consumption costs.

**e. Re-Evaluate Your Overall Energy Strategy:** Take a closer look at your energy purchasing strategy to manage your prices and lower your usage. Custom solutions, such as strategic power management whole power purchases and fixed rate hedging can help you achieve long-term budget predictability.

By combining peak load management with cost-saving measures during the summer, your business can achieve greater energy efficiency and significant cost reductions. Participating in a peak load management program offers the opportunity to curtail energy usage voluntarily and further optimize your energy consumption. Embracing energy-efficient practices and leveraging off-peak hours can result in long-term savings and a more sustainable business.

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