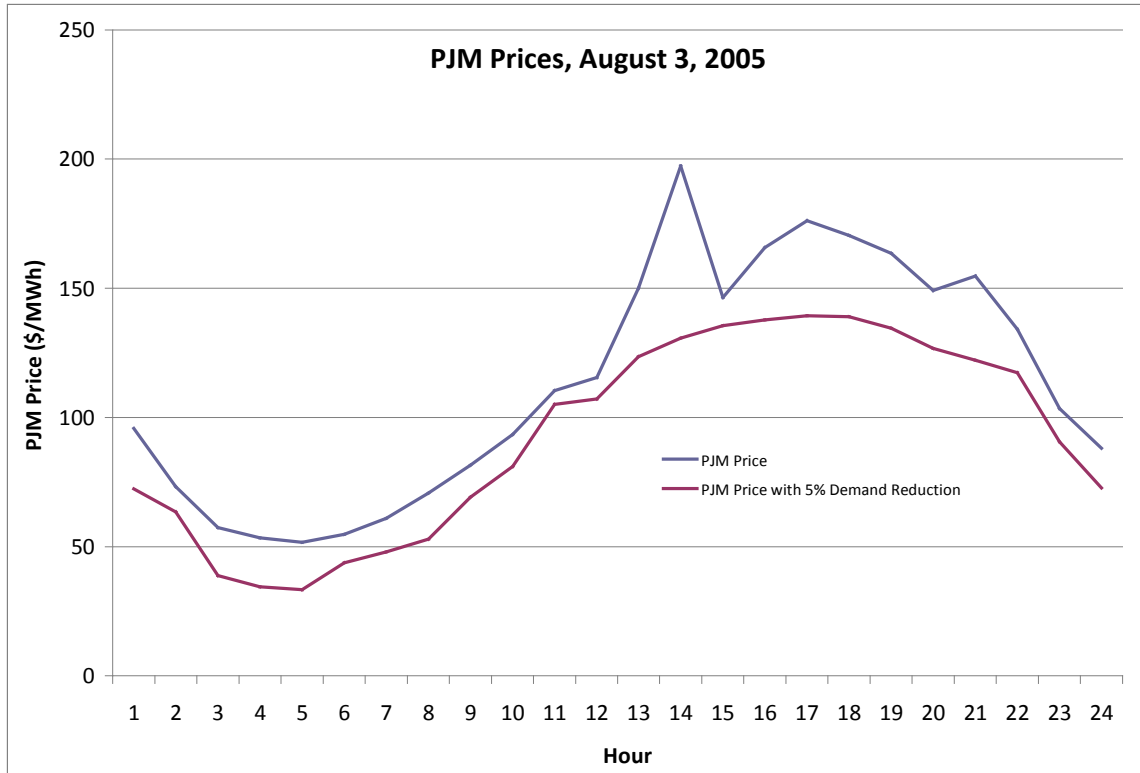
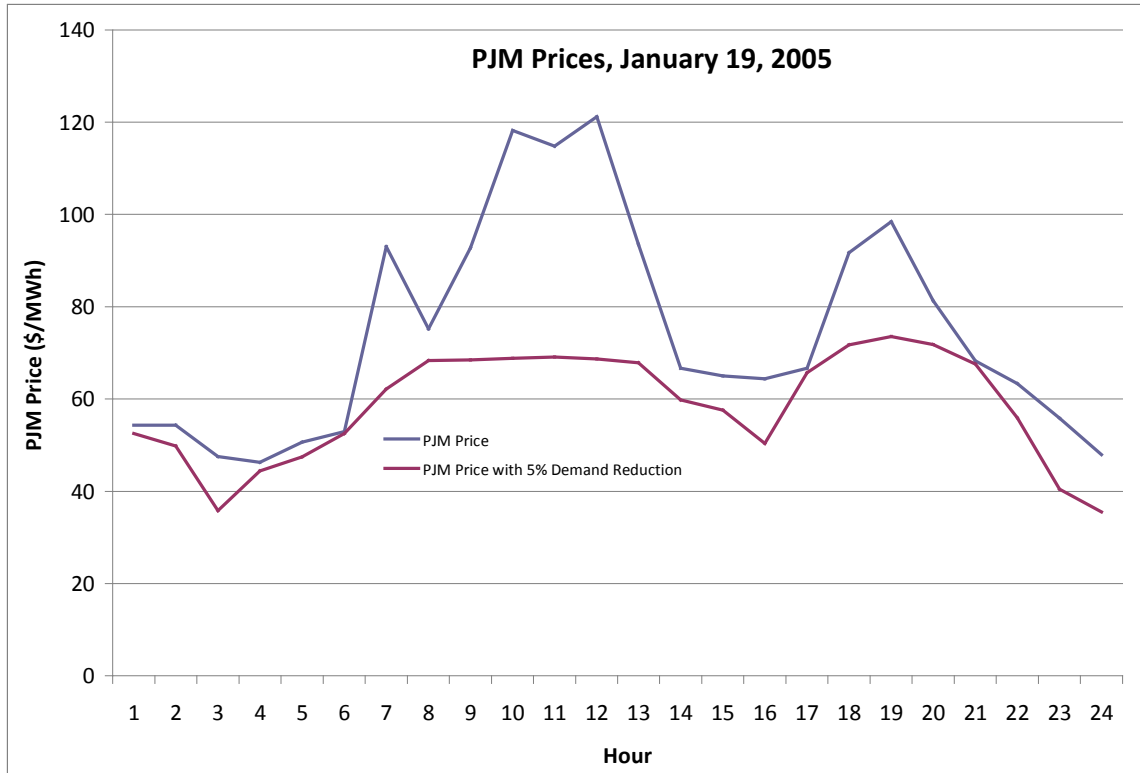


Demand for electricity historically peaks during the summer months. The figure above shows a typical seasonal demand pattern for the PJM Interconnection, which includes much of the Mid-Atlantic. To meet that demand, utilities must dispatch generators known as “peakers.” Typically, these peakers can be turned on and off quickly, but are highly inefficient, more expensive to operate and more apt to have high emissions of greenhouse gases and other pollutants. Peaking generation represents 15% of the total capacity in the PJM Interconnection, but this capacity is used only 1.1% of the time.



This is price data from PJM Interconnection, which manages the electricity grid for much of the Mid-Atlantic and parts of the Midwest. The price spike occurred when electric utilities had to bring peakers into service to meet demand. Lowering peak demand by even a few percentage points would reduce the need to use these plants and would lead to considerable savings.



On Wednesday, Jan. 19, 2005, the market price in the PJM system more than doubled from about \$57 per megawatt-hour (MWh) at 6 a.m. to about \$120 at noon. With a policy requiring a 5% reduction in consumption, the cost of generating electricity would have topped out at about \$77 per MWh, or about 35% less than the actual market price.