

Syllabus Draft

ENG EC/ME/SE 543 Sustainable Power Systems: Planning, Operation, and Markets

Fall 2013, Tu-Th 12:00-2:00pm, PHO 210

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Preamble

Breakthroughs in centralized as well as distributed clean energy generation technologies, up to fourfold higher efficiency of heat pumps in conjunction with low enthalpy geothermal energy in providing space conditioning relative to direct fossil fuel burning, and the prospect of electrifying the transportation industry, will render electricity the dominant energy form in a sustainable environment future. Under this premise, the course considers key technical and economic characteristics of power systems and presents their interaction in the design and operation of markets that foster:

- Environmental Sustainability
- Economic Sustainability (competition and economic efficiency) while allowing for
- Security of Supply Sustainability, i.e., the safeguard of security and stability in today's complex power systems.

Course Overview

We review the key characteristics of Electric Power Transmission and Distribution (T&D) networks and the associated planning and operation requirements that ensure supply adequacy, system security and stability under control that is either centralized or – as is more and more happening since the late 1990s -- market based. Investment and operational costs of assets, generation, transportation and the utility of consumption are discussed in a Systems Engineering context where long term as well as short term and real-time interactions of location specific (i) Supply for

Energy and Reserves, (ii) Transportation (Transmission and Distribution) and (iii) Demand for Energy and Reserves are considered. Recent developments in the introduction of competitive Wholesale Markets at the High Voltage Transportation level, the associated rules that define market participation, market clearing and price formation are presented. Algorithms used to implement market rules are also discussed and analyzed in terms of their effectiveness in fostering cost reflective price signals and competitive conditions that encourage efficient distributed -- as opposed to centralized -- investment and operational decisions. In particular, the functions of interacting markets operating at different time scales, including long term, day-ahead, adjustment and real-time markets are analyzed and the incorporation into the market rules of system security requirements and associated reserves are explained.

The fundamental difference of Power markets relative to other markets is the absolute requirement of system wide energy balance in real-time. This is a difficult requirement to meet because of (i) limited control of how electricity flows over the Transmission and Distribution (T&D) network – it follows Kirchoff’s law rather than an operator’s routing directions – and (ii) significant uncertainty. Uncertainty enters at multiple time scales (years, months, days, minutes, seconds, and real-time/milliseconds) and is associated with multiple sources (availability of T&D lines, generating capacity, wind and the like) and in forecasting the exogenous actual demand level or the response of demand to dynamic price signals. The combination of uncertainty (i.e. the impossibility of perfect foresight) on one hand and the inability to tolerate even temporary energy imbalances on the other, necessitates not only the scheduling of generation to meet expected demand, but also contingency planning, namely (i) determination of the required quantities of capacity reserves that are sufficient to overcome practically all uncertainty realizations, and (ii) the actual procurement of these capacity reserves. While the procurement of capacity reserves and of

energy can be achieved by market clearing procedures, to secure system stability we need to manage the utilization of the procured reserves through a combination of automated distributed control policies and commands determined and disseminated in practically real-time by a centralized facility/control center. The objective of centralized capacity reserve management is to secure system stability – i.e. avoid system black outs and unacceptable quality such as brown outs and surges – while minimizing market based procurement costs.

The handling of technical and economic considerations mentioned above becomes more interesting – and onerous – as (i) the adoption of intermittent clean energy generation increases, (ii) distributed generation (e.g., roof top PV) and distributed resources (e.g., storage, smart appliances, plug-in electric hybrid vehicles) become more prevalent, and (iii) the advent of the smart grid increases the opportunity to utilize new information and control options and to achieve higher efficiencies and value added. The material coverage outlined below aims at presenting salient power systems engineering, physics, economics, market design and regulation issues that are crucial to mastering the “domain knowledge” required to work successfully as a researcher or practitioner in specific aspects of Power Systems and Markets with starting point expertise in technology, communications, control, economics, market design, management, finance, and, last but not least, policy and legal matters.

Course Prerequisites and Desirable Background

Students interested in taking the course should have College of Engineering senior or graduate status, or graduate status in another School or College with background in elementary calculus, introductory physics and introductory economics. In-depth expertise in some discipline, be it systems engineering and optimization, power systems, physics, economics, management, or law is an asset.

Homework, Term Papers, Examinations and Grading

Short homework assignments will be assigned, and a midterm examination will be administered in mid-April. Each student will be required to complete a substantive term paper in his/her particular area of interest. The term paper's topic and abstract must be submitted to and approved by the instructor. The term paper will be due on the last day of the study period. Complete and exhaustive referencing and citation of published work, in print or on the web, must be VERY carefully addressed in the reports submitted. **Deficiencies in doing so may result in a failing grade.** The final grade will depend on homework, examination, and term paper performance with 20%, 40% and 40% weights, respectively.

DATES TO KEEP IN MIND

- **Tuesday November 12, 2013. Midterm Examination**
- **Last day of Study Period: Term Papers Due**

Reading Material and References

Notes, published papers, and URLs will be distributed electronically through posting on the course's BU Blackboard web page.

Textbooks listed below may be helpful as references. Kirschen and Strbac and Stoft are recommended reference texts about power markets. Other useful references are marked by *.

-Fundamentals of Power System Economics, Daniel S. Kirschen and Goran Strbac, 2004. RECOMMENDED Reference Textbook 1.

- Power System Economics: Designing Markets for Electricity**, Steven Stoft, Wiley-Interscience, 2002. **RECOMMENDED Reference Textbook 2**
- Optimization Principles: Practical Applications to the Operation and Markets of the Electric Power Industry, Narayan S. Rau, Wiley-Interscience, 2003.
- Power System Operations and Electricity Markets, F. I. Denny and D. E. Dismukes, Wiley-Interscience 2002
- Market Operations in Electric Power Systems: Forecasting, Scheduling, and Risk Management by M. Shahidehpour, H. Yamin, and Zuyi Li Wiley-Interscience, 2002.
- Electric Power Planning for Regulated and Deregulated Markets, Arthur Mazer, 2007.
- *Power Generation, Operation and Control, A. J. Wood and B. F. Wollenberg, John Wiley, 1996.
- *Power Systems Analysis and Design, J. D. Glover, M. S. Sarma and T. J. Overbye, 2007.
- Elements of Power Analysis, by William D. Stevenson, McGraw Hill.
- Electricity Economics: Regulation and Deregulation, Geoffrey Rothwell, Tomás Gómez Wiley-Interscience, 2003.
- Power System Engineering: Planning, Design, and Oper. of Power Sys. and Equip., J. Schlabbach and K-H Rofalski, 2008.
- Economic Market Design and Planning for Electric Power Systems, J. Momoh and L. Mili Wiley-Interscience, 2009.
- *Introduction to Electrical Power Systems, M. E. El-Hawary Wiley-Interscience 2008.
- *Spot Pricing of Electricity, F. Schweppe, M. Caramanis, R Tabors, R Bohn, Kluwer, 1988.
- Optimization of Power System Operation, Jizhong Zhu, Wiley-Interscience, 2009.
- Electric Power System Basics [for the Nonelectrical Professional](#), Steven W. Blume, Wiley-Interscience, 2007.

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Tentative List of Material Coverage

Lectures 1-3 (Overview)

- Greenhouse Gas emissions and fossil fuels.
- Energy Conversion Efficiency and Quality/Available Work.
- Clean Energy Technologies.
- Electric Power System Idiosyncrasy: Instantaneous Energy Balance Requirements.
- Market Operation Basics and Existing Wholesale Markets

Lectures 4-20 (Power System Fundamentals and Power Markets)

- A. Short Term Issues: Day(s), hours, minutes, seconds, real time.
- DC Power/Voltage, Transmission and Losses
 - Introduction to Whole Sale Power Markets. Locational Marginal Cost Prices (LMP)
 - AC voltage generation and Real Time Supply/Demand Balance relation to Frequency Control
 - Real and Reactive Power, Line Losses, Transformers, Converters and Power Electronics
 - Linearized AC power flow (DC power flow approximation)
 - Instantaneous energy balance constraint and requirements of different Reserves (Frequency, Regulation, Operating) for system security and stability.
 - Extended Locational Marginal Cost (LMP) Whole Sale Power Markets where energy and reserve offering is co-optimized with Energy offered and demanded.

-Uncertainties impose T&D and Generation Capacity Reserve requirements.
Generation Reserve Requirements and Transmission Contingency Planning.

B. Long term planning issues

-Annual Loss of Load Probability

-Mandated Price Caps for Risk Reduction and the Missing Money Problem.

-Long Term Capacity Markets in US Wholesale Power Markets (NE ISO, NY ISO, PJM...).

-Financial Transmission Rights

Lectures 21-27 (Renewable Generation, Flexible Storage-Like Loads, Distribution Market Extension)

-Liberalization of Electricity Markets: Can markets emulate Centralized Control Functions?

-Market Rules and Regulation Recognize Competitive and Monopolistic Components of Power Systems.

-Unbundling of T&D costs from Generation Asset costs.

-Wholesale Markets. Locational (Nodal-Zonal) Marginal Pricing.

-Extension to Retail/Distribution network connected market participants

-Today's Status: Retail Markets remain regulated. Temporal and Spatial costs averaged and socialized.

-Market Design and Monitoring: avoidance of market manipulation and market power.

-Competitive Pricing on networks of Energy and Reserve Capacity provided by the same asset.

-Opening Markets to the Demand Side and Introduction of Retail Markets: Synergies, Policy and Regulatory Reform for Sustainable Energy Future.

-Extensive integration of intermittent renewable generation, distributed generation, and distributed resources will introduce a major paradigm shift requiring major changes in the way new participants buy and sell energy and reserves.

-Load Side Management: Demand Side Participation in Energy and Reserve markets.

- Potential benefits in reducing congestion at the Generation and T&D asset level.
- Markets are today seriously incomplete at the distribution/retail level.
- The Advent of the smart grid promises to enable Retail Markets.
- Distribution/Retail Level Costs and requirements: Local Voltage support, Feeder capacity, Transformer capacity, Losses.
- Significance of different loads and Distributed Resources: Traditional Loads (Lights), storage-Like Flexible Loads (smart appliances, capacity versus energy loads), Roof-Top PV and accompanying power electronics (inverters), Electric Vehicles and accompanying power electronics (charger), Cogeneration, Distributed Storage.
- Buildings and micro grids: Sub metering, communication, control, user preferences and Energy Service Companies.
- Role of retail markets/smart grid in integrating distributed generation, resources, and energy loads (PHEVs) with limited incremental investment in distribution assets.
- Synergies of centralized intermittent clean generation (wind, PV, and the like) and distributed resources (wind, PV, storage, flexible loads and the like).
- Systems Engineering solutions remove adoption barriers for clean energy and environmentally friendly technologies.
- Requisite Policy and Regulatory Reform.
- CO₂ Emissions Pricing.