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# ***VARIABLE RENEWABLE ENERGIES AND STORAGE DEVELOPMENT IN LONG TERM ENERGY MODELLING TOOLS***

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## **Abstract**

Energy systems are changing worldwide, and particularly in Europe, where energy policies promote a more sustainable energy production. Variable Renewable Energy sources (VRE) such as wind or solar are benefiting from these policies, but the long term implications need to be anticipated, through energy scenarios. Long term energy models are used, and VRE integration challenges are a hot topic in energy modelling. An assessment of long term energy models is necessary to understand how they represent the specific constraints of VRE on the rest of the power system. Therefore a new typology is proposed for comparing both long term energy models and power sector models. This comparison shows that, despite all the recent modelling efforts, no long term energy model represents in detail the power sector, with all the impacts of VRE. For example, there is no real representation of the electricity storage operation. Therefore we develop a new power sector module for POLES (Prospective Outlook on Long-term Energy Systems), one of the most technology-detailed long term energy models. We present the first results of this new detailed electricity module.

## **1. Introduction**

Europe and many other countries aim at reducing the CO<sub>2</sub> emissions from their electricity production. In order to evaluate the trajectory of their energy systems, they use different energy models to produce sets of energy scenarios describing different possible outcomes. Each model describes the reality with an accuracy level adapted to the application targeted. As more and more Variable Renewable Energy sources (VRE) like wind or solar are deployed, the energy models have to take into account the variability and relative unpredictability of these non dispatchable energies. Therefore we focus on models dealing with the energy system and its power sector sub-system. They are of the “bottom-up” type, i.e. they deal with the technical and economical features of energy technologies. They combine a representation of the physical reality with economic considerations.

Long-term energy models depict the future of the energy system, with all sources, vectors and exchanges of energy between regions or countries. The main parameters monitored (like energy production or costs) have an endogenous evolution over time [1], even if some macroeconomic and demographic factors are usually exogenous. This approach is useful for taking long term energy policy decisions, thanks to a coherent long term vision. The energy flows and the main technologies are described economically, but remain physically simple. For example, in most cases the balance between supply and demand in the power sector is considered with a few aggregated time-slices that contain similar hours in the season or the year.

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The power sector is crucial for long term scenarios, as it is an important form of energy that can allow the development of renewable energies. Modelling the power system has its particularities (demand and supply must match at any time; voltage level has to be kept within physical limits; current flows have to stay below thermal limits of the components). Variable renewable sources add some new constraints to the management of the power sector (decentralized resources, variable output, uncertainty, lack of controllability). Several mitigation solutions exist: better spatial integration of the electricity grids (interconnections, management of the grid), demand side management, electricity storage or back-up power plants. Taking into account these challenges requires a precise spatial and temporal representation.

Indeed another category of modelling tools focuses on the power system, with a more accurate physical representation. They allow a detailed analysis of possible future power systems, for example situations with high penetration of renewable energy sources. Their complementarities with long term energy models are strong: their outputs might help to calibrate the long term energy modelling tools (e.g. VRE integration costs, production curtailment factor, impact of the electricity storage). On the other hand, long term energy models provide the economic assumptions to the power sector models (e.g. evolution of the power demand and of the costs and performances of the technologies).

Given these complementarities, an energy modelling tool that integrates the main features of the power system would be of great interest. This work has been conducted to help understanding long term energy models and power sector models, as well as their possible combinations. We propose a common methodology for describing them, both technically and economically. This complete typology should help asking the right questions when faced with a new energy modelling tool. It gives an overview of a tool and helps formulate the different characteristics of the power sector and compare them with other tools. Qualitative comparing criteria focusing on the power sector components are proposed. One can then focus on specific matters of interest to him, for example the electricity storage.

We present hereafter the existing categories of long term energy modelling tools and the methodology we developed for classifying the technical and economical models. In section 3, we apply this methodology to some long term energy models and some power sector modelling tools. Then, section 4, we explain how we developed a new electricity module in the long term energy model POLES. We also present illustrative results of the interactions between VRE and electricity storage. Finally, we conclude in the section 5.

## **2. Methodology for comparing energy modelling tools**

In order to analyze the existing models and choose the most appropriate modelling characteristics, we studied the existing models and their categorizations. Then, we developed our own typology that applies both for long term energy modelling tools and more detailed power sector tools.

A commonly used criterion is the bottom-up or top-down paradigm. Top-down models describe the macro-economic relationships between the components, while bottom-up models describe better the supply and demand sectors, from a technological point of view [2,3]. Some hybrid models try to conciliate both approaches [4], by mixing technological description and macro-economic loops. In this paper, the impact of VRE on the other technologies is considered, and therefore we mainly examine bottom-up models.

Many reviews explore possible categorizations of energy modelling tools [5–11]. An interesting survey involving 37 energy modelling tools has been carried out in [12], with seven categories used to classify very different tools. The methodology proposed in our work uses some similar criteria, and

adds others. Our goal is to allow a comparison between the description levels of several components of the power sector (e.g. the components related to the integration of VRE). The main categories of our typology are the following. First, the general objectives of the models are described, with several criteria. Then, spatial and temporal characteristics are compared. Finally, the power sector components are studied in further detail, both on the technical precision and the economical mechanisms implied. This includes new criteria focusing on the representation of VRE and their integration into the power sector. It brings out several options for representing the VRE integration challenges.

Our typology begins with a broad categorization of modelling tools, using frequently used criteria. One can first identify which energy sector the model is considering (power sector, heat sector, transport sector, other forms of energy like hydrogen or gas). Then, one should distinguish simulation and optimization logics. A simulation model (e.g. POLES [13], PRIMES [14–16]) is recursive: the model is run year after year and the hypotheses and parameters can evolve over time. An optimization model (e.g. MARKAL [17–20], TIMES [21,22]) is based on the simulation of the physical reality, but it has one or several criteria and parameters being optimized. If the analyzed model is using optimization, it is important to identify these criteria and parameters. Then, while long term models usually have endogenous evolution of some parameters (but generally not the macro-economic input parameters), the majority of the more detailed sectorial tools are computing an exogenously fixed system.

Other categories exist more specifically for long term energy modelling tools (see for example [11]). One should set apart partial equilibrium models, general equilibrium models (e.g. NEMS [23], CIMS [24], IMACLIM [25]), energy-economy-environment models (e.g. GEM-E3 [26,27], E3MG [28]) and integrated assessment models (e.g. DICE [29], MESSAGE [30], WITCH [31], GCAM [32]).

Next, we can define criteria more specific to the representation of the power sector. Some models adopt a system-wide approach, when the whole system is considered and a social, centralized, aggregated perspective is used. Other models use an agent based approach, as they look at an individual actor, with consideration of its own interests (decentralized logic). Finally, there is a difference between operation models and investment planning models.

These first set of retained criteria is summarized in table 1.

	Criteria	Value of the criteria
General logic of the model	<b>Represented energies</b>	Electricity / Heat / other energies
	<b>Evolution over time</b>	Fixed system / Evolving parameters
	<b>Computation logic</b>	Simulation / Optimization
Electricity: representation choices	<b>Studied system’s approach</b>	System / Individual
	<b>Choice of dynamics</b>	Operation / Investment planning

Table 1: First set of criteria for energy modelling tools: a broad categorization

The second type of criteria is the spatial and temporal characteristics of the model. It includes the time horizon and the time step of the model. Choosing one of these characteristics sets a limit on the other, because of the computation time (and the time-step must be lower than the time horizon).This is

represented in figure 1. The spatial resolution is also important for the technical detail that a model is able to represent (disaggregation of demand and production, electricity grid considerations).

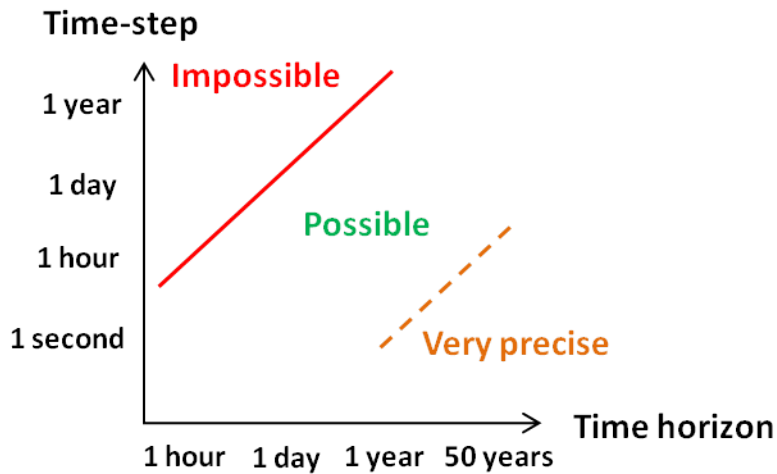


Figure 1: Second set of criteria for energy modelling tools: the temporal characteristics

The last set of criteria is more flexible, it can adapt to the specific questions of the observer. Indeed, in some cases a certain level of description of a component (supply, demand, storage, electricity grid) is necessary to carry out a specific study.

The conventional productions can be described one by one or aggregated as one or several theoretical power plants. There are also many possibilities for representing the operation of the power plant (e.g. input-output relation, ramping capabilities, minimum power production). Economically, the dispatch can be more or less precise (heuristics, merit order, some technical constraints, balancing mechanisms, etc.), the investment can be modelled differently, etc. The case of renewable energies is different, as the production is not dispatchable and the marginal cost is zero.

Electricity storage has its own technical constraints, like the minimum and maximum state of charge. It is dispatched according to inter-temporal constraints (the state of charge is the relation between the charging and discharging periods). This makes it difficult to represent in long term models, because they don't usually have an adequate sequential temporal representation. Electricity storage can have several economic values: arbitrage between time steps, ancillary services, renewable production support, differing infrastructure investments, etc. Cumulating these benefits makes storage more interesting, but it is difficult to model. In [33], Hoffman et al. analyze how several models take the different applications into account.

Electricity demand can have different levels of technical and economical description, in time and space. For example, demand side management can be added. Finally, the electric grid also has several levels of detail in its computation. The economic costs (and benefits) of the grid can be described or not (in the operation and the investment decisions).

All these criteria are rather qualitative, but quantitative data can be attributed to different levels of precision of the technical and economical description [34].

### 3. Analysis of several energy modelling tools

The typology above applies to any kind of energy modelling tool; in this section we apply it to two of the most detailed long term energy modelling tools, PRIMES [16] and POLES (Prospective Outlook

on Long-term Energy Systems, [13]), and three power sector modelling tools, ReEDS (Regional Energy Deployment System [35,36]), E2M2 (European Electricity Market Model [37,38]) and ELMOD (Electricity Model [39,40]). Many other models exist, but we chose these ones because they represent well the diversity of modelling choices. For example, WILMAR [41] compares to ELMOD and SWITCH ([42,43]) is similar to ReEDS.

The characteristics of the models are described in table 2.

Modelling tools	POLES	PRIMES	ReEDS	E2M2	ELMOD
General logic of the tool	Electricity, gas, oil, coal, biomass, etc.		Electricity		
	Simulation	Optimization			
	Evolving parameters			Fixed system	
Power sector representation	System approach				
	Operation (simplified), Investment planning				Operation No investment
Time horizon	2050/2100 (every year)	2050 (every 5 years)	2050 (every 2 years)	1 year	
Time step (occurrences per year)	2 hours (2 days per year)	none (11 blocks per year)	4 to 8 hours (17 blocks per year)	2 h (12 days per year)	Hourly (1 day per year)

Table 2: General characteristics of the main models studied

Except for POLES, all these models optimize the power sector based on the total cost of the system. Although PRIMES is a simulation model, the electricity module is optimized. On the other hand, POLES has a simulation approach and the choice of electricity production technologies is made through total costs, maturity factors, price elasticity and maximum potentials. This approach allows some inertia in the system across time.

Then, we compare these models along technical and economical criteria. First we describe the constraints that they respect; then for all four optimization models, the components of the objective to minimise (the total cost) are analyzed. Next, we compare the representation of the production from renewable energies (and its impacts on the rest of the system), the electricity storage and the grid in all five models.

Concerning the models' constraints, the basic one is the supply and demand balance. The demand curve can be endogenously produced in several ways. In POLES and PRIMES, the annual electricity demand is the aggregation of all sectorial consumption and depends on macro-economic drivers and on the total average cost of energy. When PRIMES is linked to macro-economic models such as GEM-E3, energy-economy equilibrium can be met year after year. POLES represents two days of typical demand (summer and winter). The other models proceed by aggregating demand into typical time-slices or typical days. ReEDS and ELMOD also use a price-elasticity of demand

Then we look at the differences in the components of the electricity prices (which form the total cost of the system, objective to be minimised for the optimization models). On one hand, ELMOD is a short term model and only considers the system over one day, therefore not accounting for the fixed costs (investment in capacities or in grid infrastructure, capital costs). On the other hand, PRIMES is more economic and its total cost includes mark-ups indicating market power because some agents may be able to charge prices above marginal costs (market imperfections). E2M2 and ELMOD can represent the start-up time and costs and some other inter-temporal constraints, while the other models cannot. However, these two models do not consider renewable subsidies, CO<sub>2</sub> taxes or mark-up costs: they are not designed to evaluate public policies.

The potential of renewable production can be modelled through different approaches. The models studied here rely on historical data. The easiest way is to directly use the historical production profile (e.g. SWITCH), but in POLES, PRIMES and ELMOD, a capacity factor is calculated by region and hour of the day, based on a statistical analysis of the historical data. ReEDS generates a production profile from its statistical analysis of the historical data. The most detailed representation we found was the stochastic approach of E2M2: a probabilistic tree is used to represent the probabilities of variation between a low, a medium and a high wind resource, over three rolling time steps. This approach can thus take into account the uncertainties and variations of the production.

The POLES and PRIMES electricity modules cannot represent storage because they don't have inter-temporal correlation between their time slices. The PRIMES model takes into account the storage only as a way to lower the variations of demand within a day. For the other tools, there are several ways to represent the value of storage: as a part of the optimization of the unit commitment, as an ancillary service provider or as a way to avoid the curtailment of renewable energies (mostly wind).

The studied modelling tools use three levels of representation of the electric grid. The "copper plate" representation supposes that no grid restrictions exist between all sources and demands. The transport model or net transfer capacities (NTC) uses fixed limitations to the power transfers between regions, and the power flows are directly attributed to the direct lines between the source and the demand centre. The finest representation uses the Kirchhoff's laws and represents the reality of the electric grid, usually linearized as a DC load flow.

The summary of this comparison is presented in table 3. The five models show different methodologies, particularly concerning the specific constraints imposed by VRE.

This analysis highlights the differences in objectives and precision of representation of long-term energy system and power sector tools. Power sector tools have a good description of the technical constraints; their sequential dispatch can incorporate storage options, thanks to inter-temporal constraints. On the other hand, long term energy models can represent broader economic assumptions and provide economic scenarios, but we clearly see that POLES and PRIMES, the two multi-energy long-term energy models, have the most aggregated description of the five tools studied.

Modelling tools	POLES	PRIMES	REEDS	E2M2	ELMOD
<b>Optimization constraints:</b>					
Demand	Economic function	Economic function	Elastic	Aggregated	Elastic
Operating reserves	Y	Y	Y	Y	N
Capacity reserves	Y	Y	Y	Y	N
Grid	N	N	Y	N	Y
Renewable penetration	N	N	Y	N	N
Start-up time	N	N	N	Y	Y
<b>Costs:</b>					
Fixed (O&M, investment)	Y	Y	Y	Y	N
Variable (O&M, fuel)	Y	Y	Y	Y	Y
Variable fuel efficiency	N	N	(coal only)	Y	Y
Start-up	N	N	N	Y	Y
Reserves, ancillary services	N	N	Y	Y	N
Grid	Y	Y	Y	N	N
Renewable and CO <sub>2</sub> taxes	Y	Y	Y	N	Y
Capital	Y	Y	N	Y	N
Risk premium, mark-up	N	Y	N	N	N
<b>Renewable energies:</b>					
Hydraulic resource	Historical	(Unclear)	Historical	(Unclear)	(Unclear)
Production profile	Statistically determined	Statistically determined	Statistically determined	Stochastic	Deterministic
Curtailment possibility	N	N	Y	Y	N
<b>Impacts of renewables on:</b>					
Operating reserve	N	Y	Y	Y	N
Capacity reserve	Y	Y	Y	Y	N
Grid costs	None	Y	Y	N	Y
<b>Storage economic value:</b>					
Optimization of the system			Y	Y	Y
Ancillary services	None	(only load smoothing)	Y	Y	N
Avoid curtailment			Y	Y	N
<b>Grid:</b>					
Nodes and lines	1 node per country (57)	35 nodes, 240 lines	134 nodes, 300 lines	None (only one country)	Entire Europe
Type of computation	None (historical)	DC load flow	DC load flow or NTC	Copper plate	DC load flow

Table 3: Main characteristics of the main models studied

#### 4. Coupling a new electricity module with a long term model

This categorization clearly shows that up to now energy modelling tools and power system tools respond to different objectives and do not merge the advantages of their approaches. Considering the ever higher share of non-dispatchable VRE in electricity, a new long-term approach is necessary that takes into account the VRE integration challenges. We want to use a precise electricity module in a long term energy model, with an accurate representation of the value of electricity storage. This means that this electricity module has to include inter-temporal constraints, and that optimization logic is necessary.



A new optimization model is thus developed, EUCAD (European Unit Commitment And Dispatch), that dispatches all technologies optimally (including storage). We briefly present the characteristics of EUCAD, and then explain how we connect it to the broader long term energy model POLES. Finally we present some illustrative results on the interactions between VRE and electricity storage.

#### **4.1 The electricity module EUCAD**

EUCAD optimizes the electricity unit commitment and dispatch in a fixed European system. It uses GAMS and the CPLEX solver. It is designed to solve the operation optimization of one day, with an hourly time step. The optimization objective is the minimization of the total system cost, which includes marginal production costs, ramping and start-up costs. The inputs are the electricity demand and the power system characteristics of all European countries (installed capacities, marginal costs of each technology, other technical constraints).

The outputs are the production or storage of each technology and the importations or exportations, for each hour of the day. If necessary, EUCAD can curtail the energy in excess (over-production). The main constraint is, just like in ELMOD and other power sector modelling tools, to ensure balance between demand and supply. However, in case the system cannot supply all of the demand, EUCAD indicates what amount of electricity is not supplied. This social cost of unserved load is considered as a very expensive production technology. The renewable power production is subtracted from the demand, and the residual load has to be met by the production and storage technologies.

Importations are dealt with a transportation model: the power flows on each line at each hour are approximated to the theoretical commercial exchange between the neighbouring countries. This international exchange has to be inferior to the net transfer capacity between these countries [45] (derated with a factor of 0.9 to keep a reserve for mutual assistance and uncertainties' management).

The other constraints of the optimization are the minimum and maximum power output of the technologies and their up and down ramping capabilities [46].

Electricity storage is dispatched along the other technologies, as an inter-temporal arbitrage, but it has further constraints: the sum of charging and discharging over one day must be zero, taking into account the efficiency of the technology. The technologies are mainly the pumped hydro storage, but CAES (Compressed Air Energy Storage), hydrogen and electric vehicles have also been added. In the case of hydraulic power, the description of power production had to be refined into three categories: run-of-river, storage in lakes and pumped storage. The first one is considered non-dispatchable, the second has a water inflow, the resource being optimally used over each day, and the third works as a normal storage. A certain level of management of the demand is modelled with the dispatch of the electric vehicles' charging. They have a certain amount of energy to consume from the grid (for transport use), and can use the rest of the battery as storage for the grid. Hydrogen storage is similar, with an annual demand for hydrogen from electrolysis and an annual consumption of hydrogen by fuel cells (both are input parameters). However, the economic scenario used has little hydrogen development and this optimization only concerns small volumes, not visible below.

#### **4.2 Coupling EUCAD with POLES**

This module is used as a new electricity dispatch module for POLES, and so it is linked to POLES year-after-year. The hydraulic productions in POLES were also refined into run-of-river, lake storage and pumped storage, in order to correspond to the new modelling of the hydro storage in EUCAD. The

rest of the electricity mechanisms (in particular capacity planning) and the other energies are still managed within POLES.

In order to take into account the uncertainty and variability of VRE, their production is separated in three typical days in summer, and three in winter. For each season, there is a day of strong renewable wind and solar resource (the day corresponding to the first decile of wind power production, plus the solar first decile day, from historical data for France 2013 [47]), a median day and a day of low resource (sum of the solar and wind last production deciles). EUCAD solves each of these days and weights them to get the seasonal dispatch, which is sent back to POLES in 2-hour blocks (as it is the time step used in POLES). The excess production being curtailed and the energy stored are also sent to POLES, because they influence the overall electricity demand for the following year.

Combining benefits of power sector tools and long term energy models is possible, for the first time, thanks to the direct coupling between EUCAD and POLES. It takes advantage of the interactions between the different modelling approaches.

### 4.3 Results

The economic dispatch is now precisely represented in the long term model, including ramping constraints and electricity storage (mainly hydro pumping, as seen in the negative light blue area in the figure 2). In figure 2 we made a comparison between real French RTE data for the 19<sup>th</sup> January of 2013 (randomly chosen day) on the left and the dispatch of EUCAD on the right. The inputs are the consumption, the real renewable resource, water inflow and nuclear availability on this specific day. On this validation test, the interconnections are set to zero and the actual historic exportations are added to the total demand. The other hypotheses are taken from POLES' database (production costs, installed capacities) and additional EUCAD's hypotheses (ramping capabilities and costs are from [48]).

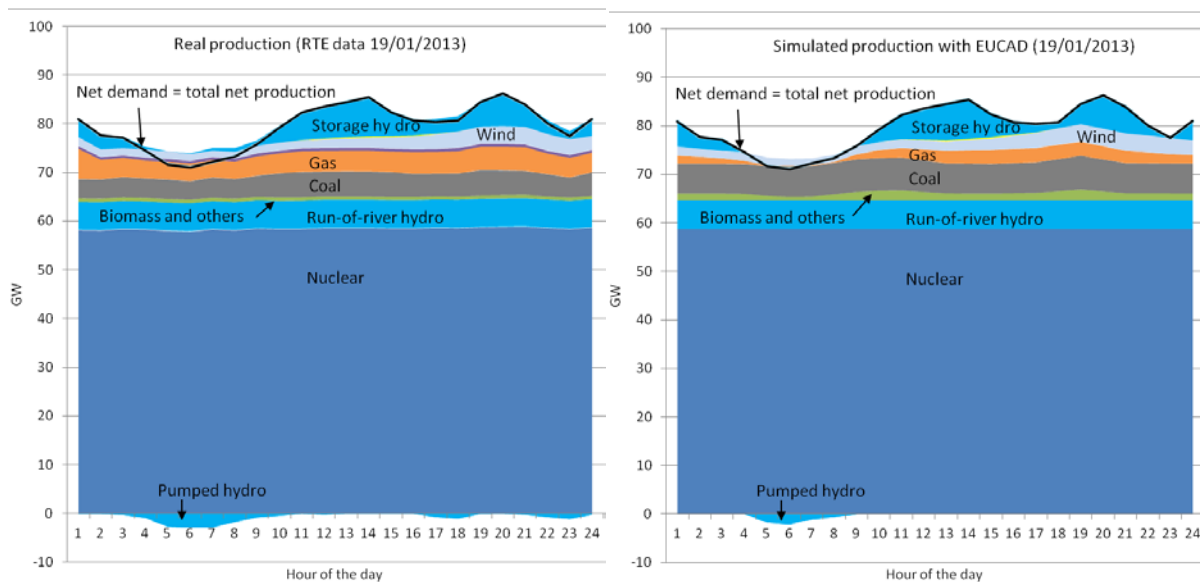


Figure 2: Comparison between real data and simulation from EUCAD (19/01/2013, France)

We see that hydro reservoirs of lakes and pumped hydro contribute a lot to the overall flexibility of the power system and VRE integration. The biggest discrepancy between EUCAD's optimization and the reality is that coal is more used in EUCAD than in the reality; this observation was also found by [45]. A possible explanation is that the European air pollution regulation imposes a limited number of hours

of production until 2015 for old French polluting coal power plants, which is not taken into account. The real fuel efficiency may be over estimated; the international coal prices (used in POLES and therefore in EUCAD’s production costs) may be an approximation for what EDF actually pays; the (small) size and actual availability of the coal power plants may have an impact; and finally the redispatching uncertainties are not modelled in EUCAD.

In figure 3 we can compare the use of the different energies in 2013 and 2030 on typical summer days. In the POLES scenario used for this study, solar and wind energies rise for France from 4.7 and 7.5 GW installed in 2013, to 32 and 28 GW respectively in 2030. POLES has a very detailed technology description, so to make the figure lighter we aggregated the different technologies by source of energy. However the separation of hydro power plants shows that hydro storage is used in accordance with the development of VRE: solar power has a strong impact and displaces the pumping hours from night hours (low demand for 2013) to daytime hours (low residual demand in 2030). Between these two situations, there is a transitional period (around 2020) when the use of hydro storage was limited, the residual load being almost constant in normal days of solar production.

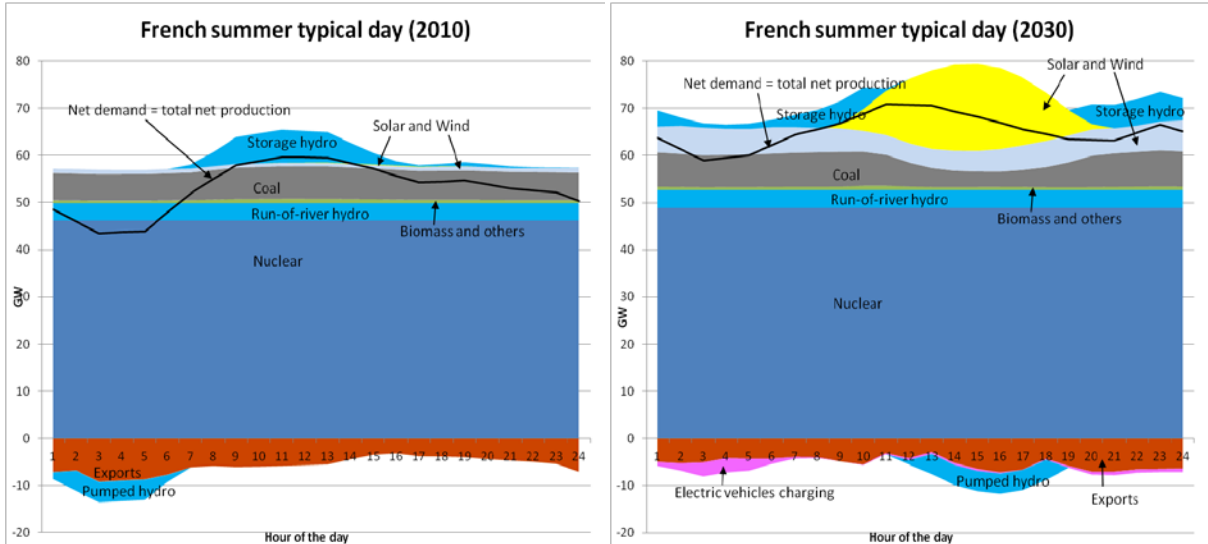


Figure 3: Compared operation of pumped hydro between 2010 and 2030 (based on POLES data)

There is also a substantial difference between days with high or low VRE resource. It is interesting to note that, in the figure 4, wind and solar power production have a big impact on coal use and on exportations to other countries. We see that, with low levels of summer consumption, coal (together with biomass) is used as a “back-up”: it adapts to the days of low or high renewable input. The same computations for winter days show that it is gas power plants that play this role, coal staying as a base production. Pumped hydro storage is not needed in days with low VRE because the residual load is almost flat across the day.

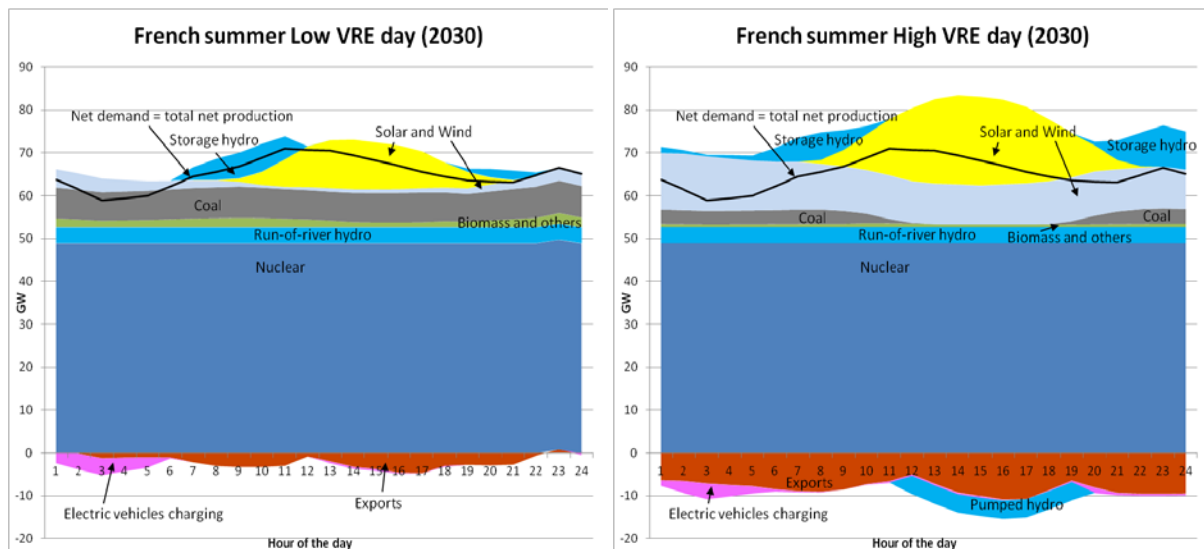


Figure 4: Compared operation in a typical 2030 summer day, with high and low VRE resource

If EUCAD runs with further deployment of renewable energies (57 GW of solar power and 54 GW of wind power in 2050 for France), we see that all gas, oil and biomass technologies are used as back-up for renewable integration. A smaller nuclear installed capacity allows a constant operation and a relatively high number of full load hours for nuclear and coal power.

## 5. Conclusions

VRE and storage are becoming more and more important in the power system, and should therefore appear with precision in long term energy modelling tools. Our new approach of technical and economical models allows a comparison of the representations of VRE and their challenges in different types of models, including long term energy models. The complexity of the VRE integration challenges is too high for a precise representation in long term models, but specific power sector tools take them into account. The technical and economical characteristics of each component are crucial to capture the interactions between conventional productions, storage, demand and grid. We couple the long term energy model POLES with a unit commitment and dispatch module, EUCAD, in order to shed light on some integration challenges and the short and long term role of storage.

The insights gained from this work into the impacts of VRE will improve the understanding of the effects of sustainable energy policies on power systems and storage development. Renewable development and VRE integration challenges will be assessed and flexibility options compared.

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