Analysis of the Value of Distributed Energy Resources through the Regional Electricity Market

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Abstract—The development of the smart grid has enabled the end-users of electricity to use efficiently the distributed energy resources (DERs). Therefore, end-users can sell as well as purchase electricity and they are called prosumers. A prosumer can manage its daily consumption pattern by controlling the heat, ventilation and air conditioning (HVAC) load, the deferrable load and the energy storage system (ESS), therefore minimizing its electricity cost and its discomfort. Prosumers can share electricity surplus with the main grid and or with their neighboring prosumers to maximize their profit. The main objective of this paper is to analyze the value of renewable energy and controllable loads such as HVAC, deferrable load and ESS in the prosumers network through the electricity price in the regional market. Diverse case studies show that the value of the regional market heavily depends on the surplus and deficit of electricity from renewable energy of prosumers, and the main grid electricity price.

Keywords: HVAC loads, deferrable load, Prosumer, electric market

NOMENCLATURE

Index

a Index of ambient temperature.
i Index of Prosumers.
in Index of Indoor Temperature.
N Number of PV Prosumers.
t Index of the time slot.
i, def Index for ith Prosumers’ deferrable load.

Variables

$b_{c,t}^i$ Amount of energy charged by the energy storage system (ESS).
$b_{d,t}^i$ Amount of energy discharged by the energy storage system (ESS).
$d_{t}^i$ Amount of energy consumed by the deferrable load.
$g_{b,t}^i$ Amount of energy purchased from the main grid.
$g_{s,t}^i$ Amount of energy sold to the main grid.
$h_{t}^i$ Amount of energy consumed by the HVAC load.
$l_{b,t}^i$ Amount of energy consumed by the basic load.
$l_{g,t}^i$ Amount of energy generated by DER.
$m_{b,t}^i$ Amount of energy purchased from the regional electricity market.
$m_{s,t}^i$ Amount of energy sold to the regional electricity market.

$T_{in}^t$ Indoor Temperature at time t.

Parameters

A Power consumption variation of HVAC load according to a unit temperature variation.
B Minimum HVAC operation power.
$b_{c,max}^i$ Maximum energy charging rate for the ESS.
$b_{d,max}^i$ Maximum energy discharging rate for the ESS.
$d_{max}^i$ Maximum energy consumption rate by the deferrable load.
$D_i$ Total required energy for the deferrable load.
$g_{b,max}^i$ Maximum energy that can be bought from the main grid.
$h_{min}^i$ Minimum energy consumption rate by the HVAC load.
$h_{max}^i$ Maximum energy consumption rate by the HVAC load.
$m_{b,max}^i$ Maximum energy purchased from the regional electricity market.
$m_{s,max}^i$ Maximum energy sold to the regional electricity market.
$S_{/init}^i$ Initial state of charge of the ESS.
$S_{/max}^i$ Maximum state of charge of the ESS.
$T_{in}$ Minimum indoor temperature.
$T_{max}$ Maximum indoor temperature.
$T_{a}$ Ambient temperature at time t.
$Temp_{t}^i$ The hourly temperature variation.
$\eta_i$ Battery efficiency.
$\gamma$ Transmission efficiency in the Prosumers’ network.
$\tau$ The thermal flywheel factor.

I. INTRODUCTION

Due to the increasing environmental issues, the population growth and the expansion of housing all along with the deployment of controllable loads, demand for high quality and reliable energy increase day by day. Therefore, a new concept for the power system, i.e., the smart grid, becomes important [1]. Generally, traditional power grids are used to distribute power from central generators to many consumers. In contrast, the smart grid takes advantage of distributed energy resources (DERs) based on renewable energy resources and provides a higher efficiency [2].
The integration of DERs enables consumers to play a more active role in energy markets today [3]. In smart grid, consumers can generate electricity by using DERs, such as PV generators or Wind Turbine and they can use an energy storage system. In [4], the end users that both consume and produce energy are called Prosumers which can both consume and supply energy to the power network. Prosumers are able to use smart controls and communication technologies to improve their efficiency by scheduling the pattern of their loads according to the electric power price [5]. For optimal performance of Prosumers, distributed energy resources (DERs) will need further attention.

Recently, many researchers provided details on the energy sharing management for interconnected microgrids and efficient coordination in the Prosumer community. In [6], the energy sharing problem inside the microgrid of P2P PV Prosumers was studied. An internal pricing model is proposed for the operation of the energy sharing zone, which was defined based on the supply and demand ration of shared PV energy. In [7], the authors studied an energy exchange for Prosumers, in which the Prosumers’ energy is transmitted and exchanged between end-users. The motivation of the energy exchange is the energy price. Furthermore, [8] proposed a Prosumer-based energy sharing and management scheme to achieve the demand side management while optimizing the cost for both Prosumers and utilities. In [9], the authors propose an energy management model which helps Prosumers to control their energy consumption with respect to controllable and uncontrollable generation and consumption as well as the Prosumers ability. Authors in [10], have used a game theoretical approach to evaluate the benefits of solar PV owned Prosumers. In [11] the authors studied the matching of the electricity supply and demand under the Linear Function Submission-Double Auction (LFS-DA) algorithm. An exact balance of electricity supply and demand was achieved.

In our previous work [12] and [13], we have studied the effects of LFS-DA algorithm on adjustable loads in a network of Prosumers. In [12], Rugira performed an optimization framework to minimize the Prosumers energy cost and dissatisfaction by controlling the HVAC Load. In [13], we focused on developing a model to minimize the operation cost of the Prosumers network while maintaining the Prosumers comfort. Until now, to the best of our knowledge, with the development of Prosumer, the value of DERs, Controllable loads and ESS on the regional market is not known. Therefore, this paper, propose a study to analyze the value of renewable energy, HVAC load, deferrable load and ESS through the regional electricity market. The novelty of our work is to identify the significant tool on the operation cost of a Prosumer through the regional market by controlling the HVAC load, deferrable loads and ESS in commercial buildings into the regional prosumers network. The value of DERs was evaluated by considering the operation cost of a Prosumer through the regional electricity market.

The rest of this paper is organized as follows. Section II describes the structure of the Prosumers’ network and the regional electricity market. The cost optimization model used to analyze the value of DERs is presented in Section III. Section IV shows the case study and simulation results. In Section V, the conclusion is drawn.

II. REGIONAL ELECTRICITY MARKET

A. Structure of the Prosumers’ Network

The regional prosumers network is a network that consists of interconnected electricity prosumers. Prosumers are interconnected so that they can trade their electricity surplus between each other. The importance of regional electricity network is to motivate the energy sharing among prosumers and reduce their dependence on the main grid. The structure of the prosumers network is illustrated in Fig. 1. We consider a network of $N$ Prosumers, in which each Prosumer is connected on both the main grid and on the regional electricity market. Each Prosumer is equipped with a smart meter which trade the electricity in the regional market and distributes the electricity generated by DERs appropriately by referring to the load profile of each Prosumer [11].

All Prosumers are equipped with some DERs such as solar PV and wind turbine, and an ESS. In this paper, the ESS can be any battery-type plug-in electric vehicle by considering the Vehicle to Grid (V2G) technology. The electric vehicle (EV) can be charged during the day time from PV energy or during the nighttime when the main grid electricity is cheap. Also, each Prosumer has basic loads, HVAC loads and deferrable loads, Fig. 2. To know the value of DERs, the operational cost of the regional market is optimized. The operational cost can be affected by renewable energy surplus and the controllable loads. HVAC loads are controlled by setting the preferred temperature range. The deferrable loads are modeled in such a way that their power consumption is adjusted within a range of their fixed operational time. A prosumer can sell its surplus of electricity to a neighboring prosumer through the regional market or he can sell to the main grid. On the other hand, a Prosumer which has a deficit of electricity can buy electricity from the regional market or from the main grid. In this work, to motivate the on-site consumption while simplifying calculations, we assume that Prosumers can sell their surplus only to the regional electricity market.
III. REGIONAL MARKET COST OPTIMIZATION MODEL

The main goal of this paper is to analyze the value of DERs through the regional electricity market. In order to evaluate the value of the considered DER in this paper, we compared a cost optimization model to control the HVAC loads and deferrable loads through the regional electricity market to a case when the prosumers do not participate in regional market. We assumed that all Prosumers are connected to the regional electricity market. The price of electricity in the regional market was determined by using the LFS-DA algorithm [13].

A. Cost Model for Each Prosumer

In this section we scheduled the HVAC and deferrable loads with a goal of minimizing the operation cost for each Prosumer. For the Prosumers cost optimization, there are ten decision variables which varies daily within \( t \in T \) time periods, where \( T := \{1, 2, ..., T\} \) is the set of the scheduling time. Each Prosumer receives a set of ten decision variables represented by \( X_i \equiv \{t_i^g, t_i^b, h_i^g, d_i^g, h_i^b, d_i^b, m_i^g, m_i^b, g_i^g, g_i^b\} \).

The operation cost for prosumer \( i \in N := \{1, 2, ..., N\} \), consists of the renewable energy generation cost, the profit of selling electricity and the cost of purchasing electricity from the main grid and the profit of selling and the cost of buying electricity with the regional electricity market.

The total operation cost is given by

\[
C_i(X_i, p_i^g, p_i^b) = \sum_{t \in T} C_i^g(t_i^g) - \gamma p_i^g g_i^g + p_i^b b_i^g - \gamma p_i^b m_i^g + p_i^b m_i^b, \tag{1}
\]

where \( p_i^g \) and \( p_i^b \) represent the rates of selling and buying electricity with the main grid respectively. While \( p_i \) denotes the regional electricity market price. \( \gamma \) is the transmission efficiency in the Prosumers network.

B. Cost Optimization for the Regional Electricity Market

In the Prosumers network, neighboring Prosumers can share their surplus of generation at a reduced price compared to the main grid price, this is to motivate the on-site consumption of renewable energy generation. The goal of the regional market cost optimization is to determine the optimal schedule for the HVAC and deferrable loads. This scheduling problem is formulated in terms of minimizing the Prosumers total cost.

The regional electricity market cost minimization problem is given by

\[
\min \sum_{i \in N} C_i(X_i, p_i^g, p_i^b, p_i), \tag{2}
\]

Subject to

\[
\begin{align*}
T_{in}^\text{min} & \leq T_{in} \leq T_{in}^\text{max}, \\
0 & \leq h_i^g \leq h_i^g^\text{max}, \\
0 & \leq h_i^b \leq h_i^b^\text{max}, \\
0 & \leq b_i^g \leq b_i^g^\text{max}, \\
0 & \leq b_i^b \leq b_i^b^\text{max}, \\
0 & \leq g_i^g \leq g_i^g^\text{max}, \\
0 & \leq g_i^b \leq g_i^b^\text{max}, \\
\sum_{t=t_i,s}^{t_i,e} & = D_i, \tag{16}
\end{align*}
\]

where \( C_i^g(t_i^g) \) is the cost of generation.

\[
d_i^g = 0, \quad \text{if} \quad t \in T \setminus T_i^\text{def}, \tag{18}
\]

\[
0 \leq S_i^\text{init} + \sum_{t \in T} (\eta_t b_i^g - b_i^b) \leq S_i^\text{max}, \tag{19}
\]

In this optimization problem, all the nine control variables are bounded (4), (5), (6), (9), (10), (11), (12), (13), (15), (17). As discussed in [13], equation (7), shows the HVAC load model. Equation (8) describe the indoor temperature model. The indoor temperature is maintained between in the comfort zone for each Prosumer. Equation (16), (17), (18) introduce the model of deferrable load. In this paper we considered the scheduling to shift the operational period of the deferrable load. Each prosumer needs to pre-set the start time \( t_i,s \) and the end of time \( t_i,e \) that the deferrable load can be scheduled.the set of time in which the deferrable load can be shift is given by \( T_i^\text{def} = [t_i,s, t_i,e] \in T \). The model of deferrable load that we have used in this paper was retrieved from [14]. In equation (19), we described the ESS status during the scheduling period.

To solve this optimization problem, the regional electricity market price is needed. In this paper we used the LFS-DA algorithm, detailed in [11], to decide the regional electricity market price.
IV. THE CASE STUDY AND SIMULATION RESULTS

In this section we analyzed the value of DERs through the regional electricity market. We considered two case. In the first case the prosumers network consists of two prosumers. In the second case, we consider a complex scenario in which the network of Prosumers consists of ten prosumers with different PV generation capacity and different load curves. The value of DER is discussed in function of the gain of the regional electricity market which is obtained by comparing the cost optimization when a Prosumer only transacts with the main grid and cost optimization when the Prosumer participates in the regional electricity market. We also check the value of DERs when they are generating energy compared to the case when they are not generating energy.

A. General Settings

In this paper, we set the scheduling period as 24 hours of a day, divided into equal time slots of time interval \( t \in T \) which is 1 hour. All parameters of the Prosumers used in this paper are detailed in Table I. All Prosumers in the first case have the installed PVs, ESS, basic loads, HVAC and deferrable loads. In the second case, eight Prosumers have installed PV generator, however two among them do not have surplus. We analyzed diverse scenarios with different load pattern and daily PV generation profile. The daily basic load and PV generation curve for the first case is shown in Fig. 3. The PV generation and basic loads are assumed to be known beforehand.

From Fig. 3, we observe that the transaction of electricity between Prosumers is possible from 9AM to 5PM due to the surplus of PV generation in those hours. During the night hours, Prosumers can use electricity from the main grid. This is confirmed by Fig. 4, which illustrates the rate of electricity of both the main grid the regional electricity market. As shown in Fig. 4, the main grid electricity is cheap during the night hours but during the day time the main grid price is very high compared to the regional market electricity price. It is the cheap electricity that motivate Prosumers to participate in the regional electricity market. The transaction is possible because during the day time Prosumers have PV energy surplus that they can share in the regional market. In the case of ten Prosumers’ network, there is no big transaction at 4PM because the electricity price in the regional market is nearly equal to the main grid price. Furthermore, there is also transaction in the regional market at time 8PM and 10PM for the two prosumers case. In addition to this, the transation is possible at 8PM and 9PM, in the ten Prosumers case. The transaction is possible due to the available surplus of electricity that can be shared among Prosumers, and also the amount of electricity saved in the batteries can be shared in the regional electricity market. The main grid price used in this paper was retrieved from the Korean Electric Power Corporation (KEPCO) [15].

B. Performance Analysis for Controllable Loads

Prosumers can manage their daily consumption pattern by controlling the ESS and flexible loads such as HVAC and deferrable loads, therefore minimizing their electricity cost and their discomfort. Controlling the ESS, HVAC load and deferrable results in a reduction of the Prosumers’ total operation cost in the regional market. However, compared to the total cost of Prosumers who transact only with the main grid, the regional market does not have a significant gain through controlling ESS and flexible loads. In Table II, we observe the value of ESS, HVAC and deferrable loads

![Fig. 3. PV1 is the PV generation of Prosumer1, PV2 is the PV generation for Prosumer2. The basic loads curves for two Prosumers in the Prosumers network is illustrated.](image)

![Fig. 4. Comparison between the main grid utility price and the regional market price in two Prosumers network and in a ten prosumers network.](image)

<table>
<thead>
<tr>
<th>Parameters and basic variables used for simulation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parameters and variables used in this paper</td>
</tr>
<tr>
<td>Number of Prosumers</td>
</tr>
<tr>
<td>Scheduling period</td>
</tr>
<tr>
<td>Deferrable load’s operation period</td>
</tr>
<tr>
<td>Battery bounds</td>
</tr>
<tr>
<td>Regional market bounds</td>
</tr>
<tr>
<td>Battery state of charge</td>
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<tr>
<td>Maximum purchase from the main grid</td>
</tr>
<tr>
<td>Battery efficiency</td>
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<tr>
<td>Transmission efficiency</td>
</tr>
<tr>
<td>PV generation cost</td>
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<tr>
<td>PV generator capacity</td>
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<tr>
<td>HVAC load bounds</td>
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<tr>
<td>Constants</td>
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<tr>
<td></td>
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<tr>
<td>Indoor temperature bounds (comfort zone)</td>
</tr>
</tbody>
</table>

![Table I](image)
through the regional market. This results for each HVAC, deferrable load and ESS is obtained by assuming that all the other loads are fixed. It is assumed that Prosumers are generating energy from their PV generators. In the Table II, X denotes that the load is fixed or not considered while O denotes that the load is controlled.

We compare the Prosumer’s total cost in the regional electricity market to their total cost when a Prosumer with installed PV transacts only with the main grid. Numerical results in Table II, show that the Prosumer’s total cost is high when the HVAC and ESS are fixed and when the deferrable loads is used in the peak time hours. The price of electricity can be minimized by controlling the operation time and setting of the HVAC, deferrable load and ESS. However, the gain of the regional market is still marginal by only relying on managing the daily consumption. For simplicity, we assumed that all prosumers have the same initial characteristics excepts for basic loads and PV generation.

In this case study, deferrable were controlled by shifting their operation period. We consider two cases, first, the deferrable load are considered fixed when they operates during the night time from 1AM to 6AM therefore using the cheap electricity from the main grid. Second, the deferrable load are considered controlled when their operation time is in the afternoon from 3PM to 9PM.

C. Value of PV Generation in the Regional Electricity Market

In this subsection, our objective is to check the value of PV generation in the regional electricity market. We analyzed the value of PV generator by checking their run-time performance in the regional market optimization problem and the time when they are not operating. We assumed that the HVAC load. Deferrable loads and ESS are fixed. As shown in Fig. 3, all Prosumers have the surplus of energy, we observe that the transaction between prosumers is possible between 9AM to 6PM and at 8PM and 10PM.

Numerical results in Table III show that the gain of regional electricity market is 11.01% when both Prosumer’s PV generators are generating the electricity. The regional electricity market decreased to 5.91% and 3.28% when either PV2 or Prosumer2 or when PV1 for Prosumer1 is shut down, respectively. This means that Prosumer1 has much value compared to Prosumer2. This reduction is related to the generation capacity and surplus of Prosumers. Furthermore, as observed in Table III, lineumber four, without PV surplus there is no gain of participating in the regional electricity market. Generally, from Table III, the gain increase with the increase of surplus of energy that can be shared in the regional market. The result is confirmed in Fig. 5. In this figure, it is illustrated that the gain of regional electricity market increase to a significant value until a certain threshold. Therefore, without a surplus there is no gain for the regional electricity market. However, with more surplus, the gain of Regional electricity market become significant.

D. Complex Prosumers’ Network Case

To confirm the significance of PV generation in the regional market, we solved our optimization problem by considering a complex Prosumers’ network consisting of ten Prosumers with different characteristics. Among ten prosumers 8 have installed PV and two prosumers do not have PV generator. Among Prosumers with installed PV generators, two Prosumers do not have the surplus of electricity. Numerical results in Table. IV shows that the optimal cost of the regional market is $ 393.15 when only PV generator is controlled. Prosumers have enough energy to share with each other as a result the transaction in the regional electricity market is possible. The total operation cost without PV generator is $ 832.03. The operation cost is very high when the PV generators are shut down compared to when there is an amount of surplus to share in the regional electricity market. Therefore, it is shown that the PV generation is very important for the regional electricity market to be successful. According to Table IV, by controlling on the PV generator and assuming the the both the ESS and flexible loads are fixed, the gain of the regional electricity market is 12.36%. Furthermore, controlling both the PV generation surplus and ESS increase the gain of the regional electricity market to 14.08%. The

<table>
<thead>
<tr>
<th>HVAC \ Load</th>
<th>Deferrable \ Load</th>
<th>ESS</th>
<th>Without Regional Market</th>
<th>With Regional Market</th>
<th>Gain in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>X</td>
<td>X</td>
<td>X</td>
<td>80.9</td>
<td>72.0</td>
<td>11.01</td>
</tr>
<tr>
<td>O</td>
<td>X</td>
<td>X</td>
<td>76.8</td>
<td>68.1</td>
<td>11.32</td>
</tr>
<tr>
<td>X</td>
<td>X</td>
<td>O</td>
<td>69.7</td>
<td>61.8</td>
<td>11.24</td>
</tr>
<tr>
<td>X</td>
<td>O</td>
<td>X</td>
<td>81.0</td>
<td>73.9</td>
<td>8.78</td>
</tr>
</tbody>
</table>

![Fig. 5. The gain of regional electricity market depends on the the PV generation surplus](image-url)
TABLE IV
THE VALUE OF PV GENERATOR THROUGH THE REGIONAL ELECTRICITY MARKET

<table>
<thead>
<tr>
<th>CASE with 10 Prosumers</th>
<th>Without Regional Market</th>
<th>With Regional Market</th>
<th>Gain in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Controlling PV and HVAC</td>
<td>430.83</td>
<td>362.40</td>
<td>15.88</td>
</tr>
<tr>
<td>Controlling PV and ESS</td>
<td>399.28</td>
<td>343.10</td>
<td>14.08</td>
</tr>
<tr>
<td>Controlling only PV and Deferrable loads</td>
<td>448.61</td>
<td>393.15</td>
<td>12.36</td>
</tr>
<tr>
<td>Fixed Load and No PV</td>
<td>451.07</td>
<td>400.71</td>
<td>11.16</td>
</tr>
</tbody>
</table>

regional electricity has a significant value with a gain of 15.8% when Prosumers control both the PV and HVAC load.

V. CONCLUSION
The objective of our paper is to evaluate the value of DERs through the regional electricity market. We considered a network of prosumers where each prosumer is equipped with a PV generator, ESS, basic loads, HVAC load and deferrable load. In order to support the Vehicle to Grid technology (V2G), the ESS can be replaced by an electric vehicle (EV) with a plug-in function. We adapted an optimization framework for prosumers that enables a transaction between them while keeping their indoor temperatures in the comfortable range and the operation of their deferrable load in the pre-set operation time. To reduce the operation cost, prosumers can control their ESS, HVAC loads, deferrable loads and they can transact in the regional market. Without the regional market, each prosumer can only use pre-cooling and ESS to reduce the operation cost. However, with the regional market, Prosumers can share the surplus within the local network as well as controllable load. With an amount of surplus, the gain is of regional market is good until a certain threshold. Case studies shows that the regional market depends highly on the PV surplus of prosumers in the Prosumers network. Controlling the PV surplus and ESS results in a gain of 14.08%. Moreover, through our considered case studies, the value of regional market is significant when prosumers can control both the PV generation and the HVAC. By controlling both the PV generator and HVAC load, the gain of regional market is 11.32% and 15.88% in the two Prosumers network case and in the ten Prosumers network case, respectively. The control of the ESS and HVAC loads increase the benefits of a prosumer in the regional market, however, they dont affect much the gain of regional market.

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