



# Microgrid Energy Management with Renewables and Storage

B. Pagnoncelli<sup>1</sup>, V. Foucher<sup>2</sup>, T. Homem-de-Mello<sup>1</sup>, and R. Carrasco<sup>3</sup>

<sup>1</sup> *Business School  
Universidad Adolfo Ibáñez  
Santiago, Chile*

<sup>2</sup> *École Polytechnique, Paris, France*

<sup>3</sup> *Faculty of Engineering and Sciences  
Universidad Adolfo Ibáñez  
Santiago, Chile*

SESO 2015  
Paris

June 23rd, 2015

**1** Introduction

**2** The model

**3** Results

**4** Conclusions and future work

# Background

- ▶ New technologies allow us to use weather-dependent energy generation
- ▶ Until 2035 it is estimated that 31% of generation will be from renewables (50% hydro)
- ▶ In addition, we are aiming at efficiency and cost-effectiveness of fossil-fueled generation (CHP plants, heat and power)
- ▶ The current efficiency level is around 33%

# Background

- ▶ New technologies allow us to use weather-dependent energy generation
- ▶ Until 2035 it is estimated that 31% of generation will be from renewables (50% hydro)
- ▶ In addition, we are aiming at efficiency and cost-effectiveness of fossil-fueled generation (CHP plants, heat and power)
- ▶ The current efficiency level is around 33%

# Background

- ▶ New technologies allow us to use weather-dependent energy generation
- ▶ Until 2035 it is estimated that 31% of generation will be from renewables (50% hydro)
- ▶ In addition, we are aiming at efficiency and cost-effectiveness of fossil-fueled generation (CHP plants, heat and power)
- ▶ The current efficiency level is around 33%

# Background

- ▶ New technologies allow us to use weather-dependent energy generation
- ▶ Until 2035 it is estimated that 31% of generation will be from renewables (50% hydro)
- ▶ In addition, we are aiming at efficiency and cost-effectiveness of fossil-fueled generation (CHP plants, heat and power)
- ▶ The current efficiency level is around 33%

# Efficiency

*...[generators] are called on for a maximum service for a short time, which is followed by a smaller demand during the rest of the night. It is patent that such a method of production cannot be economical, for the plant must be idle, or working to but a fraction of its capacity, most of the time.*

*Science, (1889)*

Storage was suggested as a solution, but the most common method to cope with peak demand was the introduction of peak generation plants

# Efficiency

*...[generators] are called on for a maximum service for a short time, which is followed by a smaller demand during the rest of the night. It is patent that such a method of production cannot be economical, for the plant must be idle, or working to but a fraction of its capacity, most of the time.*

*Science, (1889)*

Storage was suggested as a solution, but the most common method to cope with peak demand was the introduction of peak generation plants



# Challenges

- ▶ Intermittent and weather-dependent generation poses a challenge to the system's reliability
- ▶ The importance of energy storage systems such as batteries and water tanks
- ▶ The management and control of energy grids became more complex!

# Challenges

- ▶ Intermittent and weather-dependent generation poses a challenge to the system's reliability
- ▶ The importance of energy storage systems such as batteries and water tanks
- ▶ The management and control of energy grids became more complex!

# Challenges

- ▶ Intermittent and weather-dependent generation poses a challenge to the system's reliability
- ▶ The importance of energy storage systems such as batteries and water tanks
- ▶ The management and control of energy grids became more complex!

# More challenges

- ▶ Renewables are intrinsically random  $\Rightarrow$  need for stochastic models!
- ▶ Microgrid architecture
- ▶ Problems are usually multistage, and complexity grows exponentially with the number of stages.

# More challenges

- ▶ Renewables are intrinsically random  $\Rightarrow$  need for stochastic models!
- ▶ Microgrid architecture
- ▶ Problems are usually multistage, and complexity grows exponentially with the number of stages.

# More challenges

- ▶ Renewables are intrinsically random  $\Rightarrow$  need for stochastic models!
- ▶ Microgrid architecture
- ▶ Problems are usually multistage, and complexity grows exponentially with the number of stages.

## Some unique issues

- ▶ The microgrid operation combines unit commitment with economic dispatch (hard problems!)
- ▶ Centralization versus Decentralization (the objectives are not obvious).
  - ▶ **Island mode**  $\Rightarrow$  minimize its own generation cost.
  - ▶ **Grid connected mode**  $\Rightarrow$  Can have contradicting goals with the main grid.

## Some unique issues

- ▶ The microgrid operation combines unit commitment with economic dispatch (hard problems!)
- ▶ Centralization versus Decentralization (the objectives are not obvious).
  - ▶ **Island mode**  $\Rightarrow$  minimize its own generation cost.
  - ▶ **Grid connected mode**  $\Rightarrow$  Can have contradicting goals with the main grid.



## Some unique issues

- ▶ The microgrid operation combines unit commitment with economic dispatch (hard problems!)
- ▶ Centralization versus Decentralization (the objectives are not obvious).
  - ▶ **Island mode**  $\Rightarrow$  minimize its own generation cost.
  - ▶ **Grid connected mode**  $\Rightarrow$  Can have contradicting goals with the main grid.

## Some unique issues

- ▶ The microgrid operation combines unit commitment with economic dispatch (hard problems!)
- ▶ Centralization versus Decentralization (the objectives are not obvious).
  - ▶ **Island mode**  $\Rightarrow$  minimize its own generation cost.
  - ▶ **Grid connected mode**  $\Rightarrow$  Can have contradicting goals with the main grid.

**1** Introduction

**2** The model

**3** Results

**4** Conclusions and future work

# The model

- ▶ The microgrid represents energy consumption in a small town
- ▶ We assume there is a central grid (the network), external to the microgrid, from which energy can be bought and sold
- ▶ We want to solve a unit commitment problem with dispatch decisions

# The model

- ▶ The microgrid represents energy consumption in a small town
- ▶ We assume there is a central grid (the network), external to the microgrid, from which energy can be bought and sold
- ▶ We want to solve a unit commitment problem with dispatch decisions

# The model

- ▶ The microgrid represents energy consumption in a small town
- ▶ We assume there is a central grid (the network), external to the microgrid, from which energy can be bought and sold
- ▶ We want to solve a unit commitment problem with dispatch decisions

## Elements of our model

- ▶ A battery storage
- ▶ Water pump storage
- ▶ A photovoltaic panel (PV)
- ▶ A consumer
- ▶ An electrical network

## Elements of our model

- ▶ A battery storage
- ▶ Water pump storage
- ▶ A photovoltaic panel (PV)
- ▶ A consumer
- ▶ An electrical network



## Elements of our model

- ▶ A battery storage
- ▶ Water pump storage
- ▶ A photovoltaic panel (PV)
- ▶ A consumer
- ▶ An electrical network

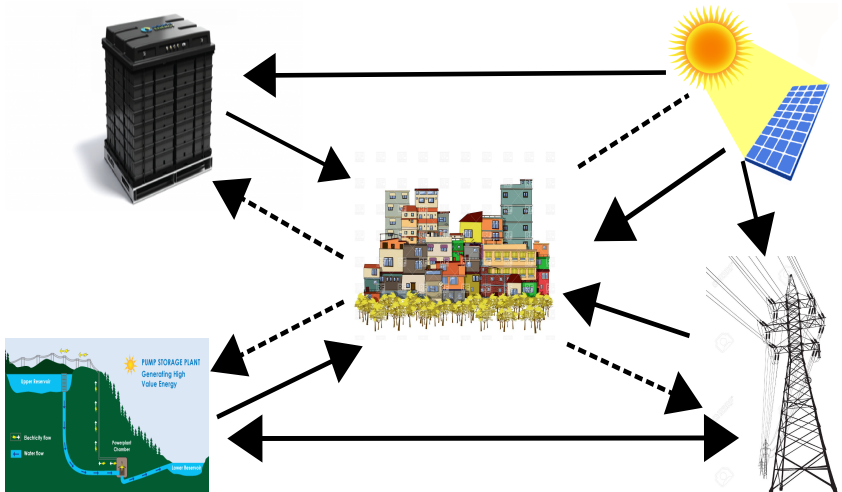
## Elements of our model

- ▶ A battery storage
- ▶ Water pump storage
- ▶ A photovoltaic panel (PV)
- ▶ A consumer
- ▶ An electrical network

## Elements of our model

- ▶ A battery storage
- ▶ Water pump storage
- ▶ A photovoltaic panel (PV)
- ▶ A consumer
- ▶ An electrical network

## Elements of the model



# Storage

- ▶ The water pump storage is a massive storage element, but has slow response time
- ▶ Batteries are for storing smaller quantities of energy, with instant response time
- ▶ In order to model those differences in a meaningful way, we need finer time frames (more later)

# Storage

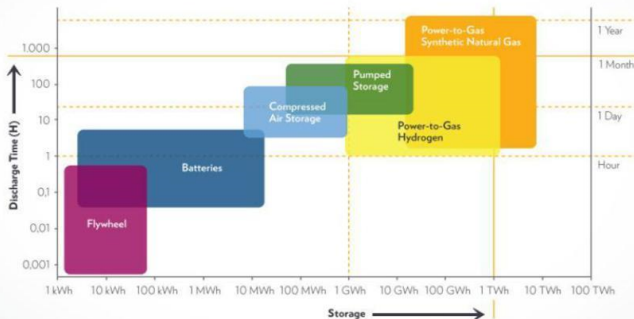
- ▶ The water pump storage is a massive storage element, but has slow response time
- ▶ Batteries are for storing smaller quantities of energy, with instant response time
- ▶ In order to model those differences in a meaningful way, we need finer time frames (more later)

# Storage

- ▶ The water pump storage is a massive storage element, but has slow response time
- ▶ Batteries are for storing smaller quantities of energy, with instant response time
- ▶ In order to model those differences in a meaningful way, we need finer time frames (more later)

# Storage technologies

## ENERGY STORAGE TECHNOLOGIES



## ENERGY STORAGE TECHNOLOGIES

ENERGY STORAGE | CLEAN FUEL



# Batteries

$$B_{t+1} = B_t + \alpha_B \left( \overbrace{F_{PV-Battery,t} + F_{Network-Battery,t}}^{\text{into the battery}} - \overbrace{F_{Battery-Demand,t} + F_{Battery-Network,t}}^{\text{from the battery}} \right),$$

with  $\alpha_B \leq 1$ .

$$F_{PV-Battery,t} + F_{Network-Battery,t} \leq \text{max charge power} \times \Delta T$$

$$F_{Battery-Demand,t} + F_{Battery-Network,t} \leq \text{max discharge power} \times \Delta T$$

## Batteries

$$\begin{aligned}
 B_{t+1} = B_t + \alpha_B & \overbrace{\left( F_{PV-Battery,t} + F_{Network-Battery,t} \right)}^{\text{into the battery}} \\
 & - \overbrace{\left( F_{Battery-Demand,t} + F_{Battery-Network,t} \right)}^{\text{from the battery}},
 \end{aligned}$$

with  $\alpha_B \leq 1$ .

$$F_{PV-Battery,t} + F_{Network-Battery,t} \leq \text{max charge power} \times \Delta T$$

$$F_{Battery-Demand,t} + F_{Battery-Network,t} \leq \text{max discharge power} \times \Delta T$$

# Water pump storage

$$S_{t+1} = S_t + \alpha_S \beta \left( \overbrace{F_{PV-STEP,t} + F_{Network-STEP,t}}^{\text{into the step}} - \beta \overbrace{(F_{STEP-Demand,t} + F_{STEP-Network,t})}^{\text{from the step}} \right)$$

with  $\alpha_S \leq 1$ , and where  $\beta$  converts electrical energy into water volume.

$$F_{PV-STEP,t} + F_{Network-STEP,t} \leq \text{max pumping power} \times \Delta T$$

$$F_{STEP-Demand,t} + F_{STEP-Network,t} \leq \text{max turbine power} \times \Delta T$$

In addition,

$$\left| \frac{\partial^2 S_t}{\partial t^2} \right| \leq \Gamma \Leftrightarrow$$

$$\frac{-S_{t-\Delta t} + 2S_t - S_{t+\Delta t}}{(\Delta t)^2} \leq \Gamma_{pumping}$$

$$-\frac{-S_{t-\Delta t} + 2S_t - S_{t+\Delta t}}{(\Delta t)^2} \leq \Gamma_{turbine}$$

# Water pump storage

$$S_{t+1} = S_t + \alpha_S \beta \left( \overbrace{F_{PV-STEP,t} + F_{Network-STEP,t}}^{\text{into the step}} - \beta \overbrace{(F_{STEP-Demand,t} + F_{STEP-Network,t})}^{\text{from the step}} \right)$$

with  $\alpha_S \leq 1$ , and where  $\beta$  converts electrical energy into water volume.

$$F_{PV-STEP,t} + F_{Network-STEP,t} \leq \text{max pumping power} \times \Delta T$$

$$F_{STEP-Demand,t} + F_{STEP-Network,t} \leq \text{max turbine power} \times \Delta T$$

In addition,

$$\left| \frac{\partial^2 S_t}{\partial t^2} \right| \leq \Gamma \Leftrightarrow$$

$$\frac{-S_{t-\Delta t} + 2S_t - S_{t+\Delta t}}{(\Delta t)^2} \leq \Gamma_{pumping}$$

$$-\frac{-S_{t-\Delta t} + 2S_t - S_{t+\Delta t}}{(\Delta t)^2} \leq \Gamma_{turbine}$$

# Water pump storage

$$S_{t+1} = S_t + \alpha_S \beta \left( \overbrace{F_{PV-STEP,t} + F_{Network-STEP,t}}^{\text{into the step}} - \beta \overbrace{(F_{STEP-Demand,t} + F_{STEP-Network,t})}^{\text{from the step}} \right)$$

with  $\alpha_S \leq 1$ , and where  $\beta$  converts electrical energy into water volume.

$$F_{PV-STEP,t} + F_{Network-STEP,t} \leq \text{max pumping power} \times \Delta T$$

$$F_{STEP-Demand,t} + F_{STEP-Network,t} \leq \text{max turbine power} \times \Delta T$$

In addition,

$$\left| \frac{\partial^2 S_t}{\partial t^2} \right| \leq \Gamma \Leftrightarrow$$

$$\frac{-S_{t-\Delta t} + 2S_t - S_{t+\Delta t}}{(\Delta t)^2} \leq \Gamma_{pumping}$$

$$-\frac{-S_{t-\Delta t} + 2S_t - S_{t+\Delta t}}{(\Delta t)^2} \leq \Gamma_{turbine}$$

# Water pump storage

$$S_{t+1} = S_t + \alpha_S \beta \left( \overbrace{F_{PV-STEP,t} + F_{Network-STEP,t}}^{\text{into the step}} - \beta \overbrace{(F_{STEP-Demand,t} + F_{STEP-Network,t})}^{\text{from the step}} \right)$$

with  $\alpha_S \leq 1$ , and where  $\beta$  converts electrical energy into water volume.

$$F_{PV-STEP,t} + F_{Network-STEP,t} \leq \text{max pumping power} \times \Delta T$$

$$F_{STEP-Demand,t} + F_{STEP-Network,t} \leq \text{max turbine power} \times \Delta T$$

In addition,

$$\left| \frac{\partial^2 S_t}{\partial t^2} \right| \leq \Gamma \Leftrightarrow$$

$$\frac{-S_{t-\Delta t} + 2S_t - S_{t+\Delta t}}{(\Delta t)^2} \leq \Gamma_{pumping}$$

$$-\frac{-S_{t-\Delta t} + 2S_t - S_{t+\Delta t}}{(\Delta t)^2} \leq \Gamma_{turbine}$$

# The PV

- ▶ We assume energy generated by the PV is random
- ▶ We use 4 years of data, and use clusters and  $k$ -means to construct the scenarios and their probabilities
- ▶ If the amount generated is higher than expected demand, the microgrid can sell the surplus to the network
- ▶ If it is smaller energy must be bought from the network

$$ProdPV = F_{PV-STEP} + F_{PV-Bat} + F_{PV-Demand} + F_{PV-Network}$$

# The PV

- ▶ We assume energy generated by the PV is random
- ▶ We use 4 years of data, and use clusters and  $k$ -means to construct the scenarios and their probabilities
- ▶ If the amount generated is higher than expected demand, the microgrid can sell the surplus to the network
- ▶ If it is smaller energy must be bought from the network

$$ProdPV = F_{PV-STEP} + F_{PV-Bat} + F_{PV-Demand} + F_{PV-Network}$$



# The PV

- ▶ We assume energy generated by the PV is random
- ▶ We use 4 years of data, and use clusters and  $k$ -means to construct the scenarios and their probabilities
- ▶ If the amount generated is higher than expected demand, the microgrid can sell the surplus to the network
- ▶ If it is smaller energy must be bought from the network

$$ProdPV = F_{PV-STEP} + F_{PV-Bat} + F_{PV-Demand} + F_{PV-Network}$$

# The PV

- ▶ We assume energy generated by the PV is random
- ▶ We use 4 years of data, and use clusters and *k*-means to construct the scenarios and their probabilities
- ▶ If the amount generated is higher than expected demand, the microgrid can sell the surplus to the network
- ▶ If it is smaller energy must be bought from the network

$$ProdPV = F_{PV-STEP} + F_{PV-Bat} + F_{PV-Demand} + F_{PV-Network}$$

# Discretization

- ▶ We face the usual granularity trade-off:
- ▶ Too fine-grained and we cannot solve the problem, too coarse-grained and the model becomes meaningless.
- ▶ We propose a compromise solution: decision are taken every 15 minutes in the first day, and uncertainty is revealed every hour.
- ▶ In the upcoming days the problem is essentially a two-stage stochastic programming problem.

# Discretization

- ▶ We face the usual granularity trade-off:
- ▶ Too fine-grained and we cannot solve the problem, too coarse-grained and the model becomes meaningless.
- ▶ We propose a compromise solution: decision are taken every 15 minutes in the first day, and uncertainty is revealed every hour.
- ▶ In the upcoming days the problem is essentially a two-stage stochastic programming problem.

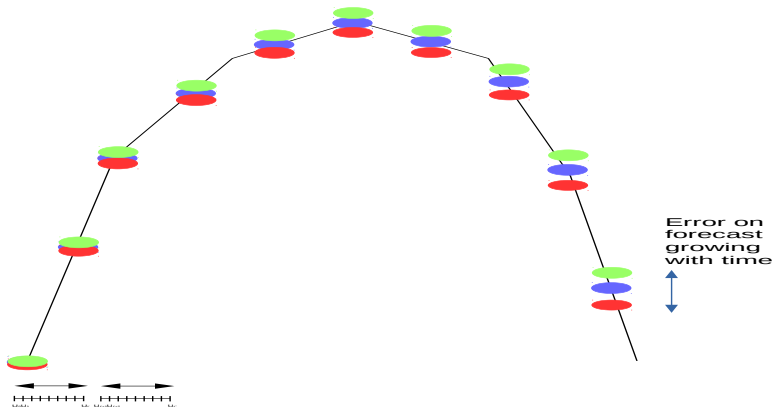
# Discretization

- ▶ We face the usual granularity trade-off:
- ▶ Too fine-grained and we cannot solve the problem, too coarse-grained and the model becomes meaningless.
- ▶ We propose a compromise solution: decision are taken every 15 minutes in the first day, and uncertainty is revealed every hour.
- ▶ In the upcoming days the problem is essentially a two-stage stochastic programming problem.

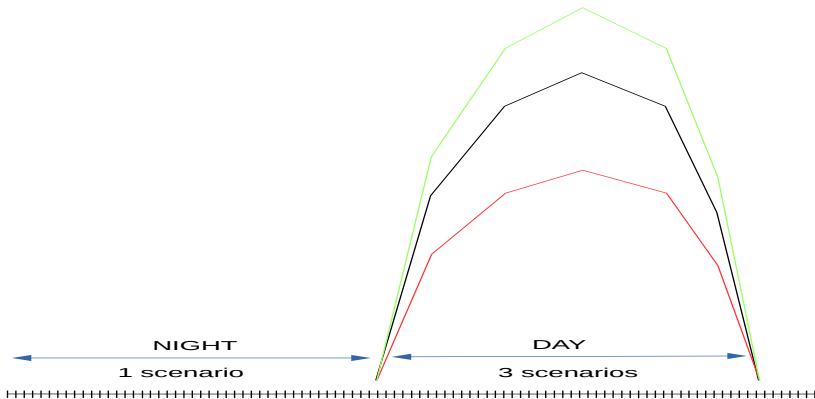
# Discretization

- ▶ We face the usual granularity trade-off:
- ▶ Too fine-grained and we cannot solve the problem, too coarse-grained and the model becomes meaningless.
- ▶ We propose a compromise solution: decision are taken every 15 minutes in the first day, and uncertainty is revealed every hour.
- ▶ In the upcoming days the problem is essentially a two-stage stochastic programming problem.

## First day

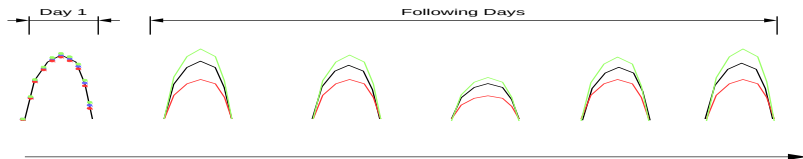


## Following days





# The whole horizon



# Consumer

- ▶ It is not deterministic, but...
- ▶ It exhibits less variability than the PV, and it is often defined by contracts (e.g, mining companies, shopping centers, etc)
- ▶ We assume it is deterministic in our model

$$Demand = F_{PV-Demand} + \alpha_B F_{Battery-Demand} + \alpha_S F_{STEP-Demand} + F_{Network-Demand}$$

with  $\alpha_B \leq 1$  and  $\alpha_S \leq 1$

# Consumer

- ▶ It is not deterministic, but...
- ▶ It exhibits less variability than the PV, and it is often defined by contracts (e.g, mining companies, shopping centers, etc)
- ▶ We assume it is deterministic in our model

$$Demand = F_{PV-Demand} + \alpha_B F_{Battery-Demand} + \alpha_S F_{STEP-Demand} + F_{Network-Demand}$$

with  $\alpha_B \leq 1$  and  $\alpha_S \leq 1$

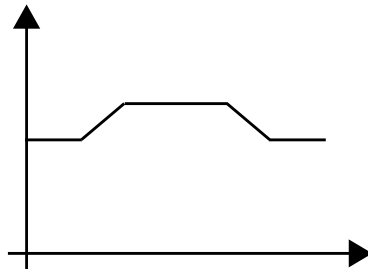
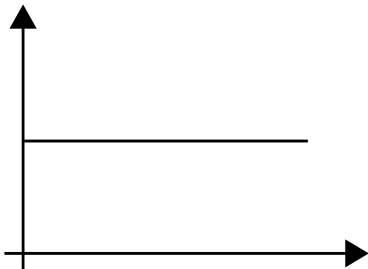
# Consumer

- ▶ It is not deterministic, but...
- ▶ It exhibits less variability than the PV, and it is often defined by contracts (e.g, mining companies, shopping centers, etc)
- ▶ We assume it is deterministic in our model

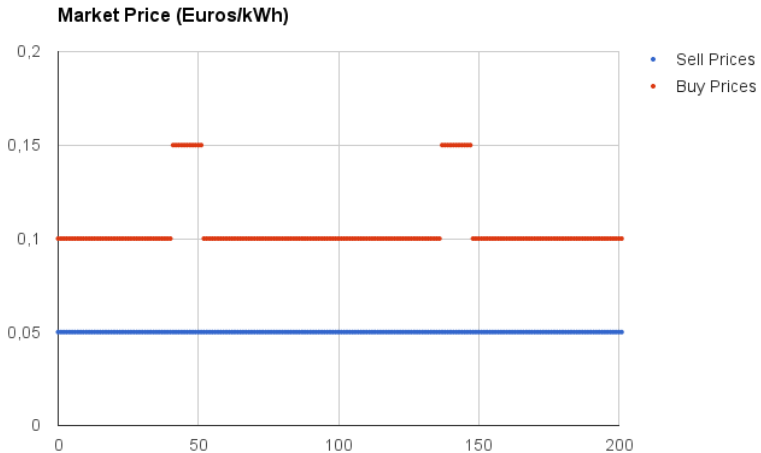
$$Demand = F_{PV-Demand} + \alpha_B F_{Battery-Demand} + \alpha_S F_{STEP-Demand} + F_{Network-Demand}$$

with  $\alpha_B \leq 1$  and  $\alpha_S \leq 1$

# Demand patterns



# Electrical network



# Objective function

$$\min_F \mathbb{E} \left[ \sum_{t=0}^T \{ (F_{Network-Demand,t} + F_{Network-Battery,t} + F_{Network-STEP,t}) \times buyprice_t \right. \\ \left. - (F_{PV-Network,t} + \alpha_B F_{Battery-Network,t} + \alpha_S F_{STEP-Network,t}) \times sellprice_t \} \right] \\ + \text{Value of energy at time } T.$$

- ▶ We have a multistage stochastic program with a large number of scenarios
- ▶ Trying to solve this problem directly (extensive form) is impossible!
- ▶ Even decomposition schemes such as the nested decomposition are intractable

# Objective function

$$\min_F \mathbb{E} \left[ \sum_{t=0}^T \{ (F_{Network-Demand,t} + F_{Network-Battery,t} + F_{Network-STEP,t}) \times buyprice_t \right. \\ \left. - (F_{PV-Network,t} + \alpha_B F_{Battery-Network,t} + \alpha_S F_{STEP-Network,t}) \times sellprice_t \} \right] \\ + \text{Value of energy at time } T.$$

- ▶ We have a multistage stochastic program with a large number of scenarios
- ▶ Trying to solve this problem directly (extensive form) is impossible!
- ▶ Even decomposition schemes such as the nested decomposition are intractable



# Objective function

$$\min_F \mathbb{E} \left[ \sum_{t=0}^T \{ (F_{Network-Demand,t} + F_{Network-Battery,t} + F_{Network-STEP,t}) \times buyprice_t \right. \\ \left. - (F_{PV-Network,t} + \alpha_B F_{Battery-Network,t} + \alpha_S F_{STEP-Network,t}) \times sellprice_t \} \right] \\ + \text{Value of energy at time } T.$$

- ▶ We have a multistage stochastic program with a large number of scenarios
- ▶ Trying to solve this problem directly (extensive form) is impossible!
- ▶ Even decomposition schemes such as the nested decomposition are intractable

# Objective function

$$\min_F \mathbb{E} \left[ \sum_{t=0}^T \{ (F_{Network-Demand,t} + F_{Network-Battery,t} + F_{Network-STEP,t}) \times buyprice_t \right. \\ \left. - (F_{PV-Network,t} + \alpha_B F_{Battery-Network,t} + \alpha_S F_{STEP-Network,t}) \times sellprice_t \} \right] \\ + \text{Value of energy at time } T.$$

- ▶ We have a multistage stochastic program with a large number of scenarios
- ▶ Trying to solve this problem directly (extensive form) is impossible!
- ▶ Even decomposition schemes such as the nested decomposition are intractable

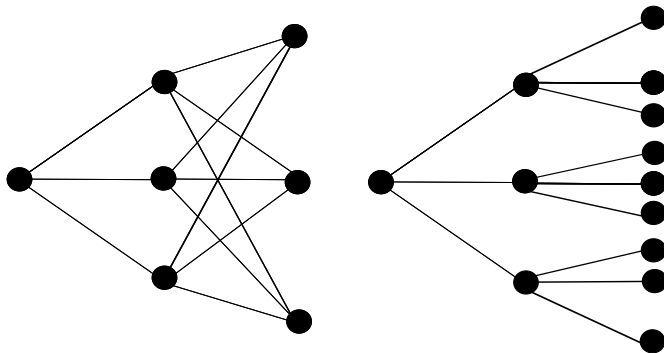
**1** Introduction

**2** The model

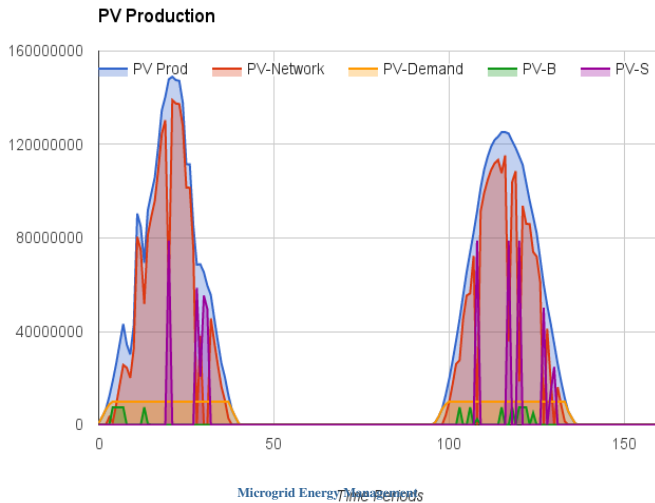
**3** Results

**4** Conclusions and future work

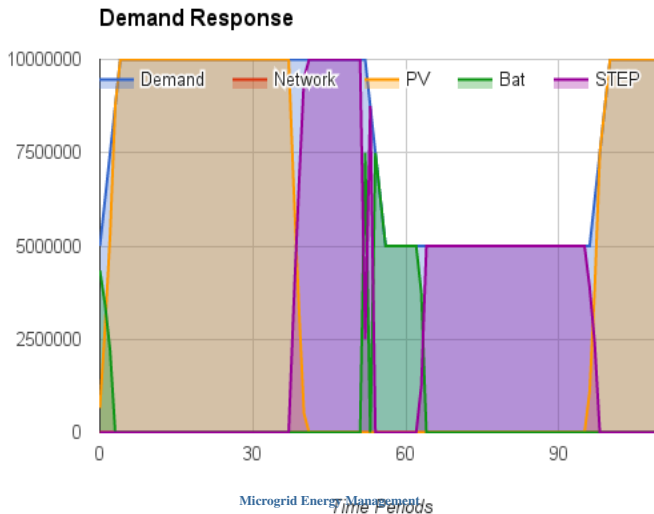
# SDDP with cut sharing



# Destination of PV production



# Units and Demand satisfaction



**1** Introduction

**2** The model

**3** Results

**4** Conclusions and future work

## Present and future research

- ▶ Implement policy evaluation via simulation (important in practice)
- ▶ Incorporate risk into the objective function, and study the effect in the optimal policy
- ▶ Combine data with forecast to make decisions.
- ▶ Improve the model with other elements (e.g. wind generation).



## Present and future research

- ▶ Implement policy evaluation via simulation (important in practice)
- ▶ Incorporate risk into the objective function, and study the effect in the optimal policy
- ▶ Combine data with forecast to make decisions.
- ▶ Improve the model with other elements (e.g. wind generation).

## Present and future research

- ▶ Implement policy evaluation via simulation (important in practice)
- ▶ Incorporate risk into the objective function, and study the effect in the optimal policy
- ▶ Combine data with forecast to make decisions.
- ▶ Improve the model with other elements (e.g. wind generation).

## Present and future research

- ▶ Implement policy evaluation via simulation (important in practice)
- ▶ Incorporate risk into the objective function, and study the effect in the optimal policy
- ▶ Combine data with forecast to make decisions.
- ▶ Improve the model with other elements (e.g. wind generation).

**1** Introduction

**2** The model

**3** Results

**4** Conclusions and future work

**Merci!**