A study on electricity export capability of the CHP system with spot price

You, Shi; Træholt, Chresten; Poulsen, Bjarne

Published in:

Link to article, DOI:
10.1109/PES.2009.5275409

Publication date:
2009

Document Version
Publisher's PDF, also known as Version of record

Citation (APA):
A Study on Electricity Export Capability of the μCHP System with Spot Price

Shi You, Chresten Træholt, Bjarne Poulsen

Abstract-- When a number of μCHP systems are aggregated as a Virtual Power Plant (VPP), they will be able to participate in the electricity wholesale market with no discrimination compared to conventional large power plants. Hence, this paper investigates the electricity export capability of the μCHP system when the electricity buyback price is given at a value equalizing the dynamic spot price. A μCHP system is modeled with optimized generation, and the marginal price of electricity export for such system is explained. A sensitivity analysis of several key factors, e.g. fuel price, heat to power ratio of the μCHP unit, which influence the export capability of μCHP system, is firstly carried out in the intraday case study, followed by the annual case study which explores the annual system performance. The results show that the electricity export capability of a μCHP system is closely related to its technical parameters, the associated energy price during the trade, as well as the demand profile. Furthermore, the μCHP system running under fluctuating spot price is likely to gain more profit than that running under a fixed electricity export price.

Index Terms-- marginal price, sensitivity analysis, spot price, Virtual Power Plant, μCHP system

I. INTRODUCTION

Combined Heat and Power (CHP) plant, representing the distributed energy resources (DER), provides significant reductions in carbon emissions and costs by generating both heat and electricity locally with efficient use of fuel and by offsetting the use of centrally-generated electricity from the grid. In recent years, much interest has been put into producing and deploying μCHP systems for use in small commercial and residential environments as the trend towards a decentralized electricity system with diversified electricity production is becoming more and more apparent [1]-[3]. For small commercial applications, the μCHP devices with tens of kW\(_{el}\), which are mainly based on Internal Combustion Engine (ICE) technology, have been commercially available for many years. For residential applications, most available μCHP units with several kW\(_{el}\) are based on Stirling Engine technology. Fuel cell-based μCHP systems are currently thought to be a few years away from large scale deployment [4], they are believed to introduce higher degree of carbon savings due to their high electricity efficiency.

However, similar to other DER units, the μCHP units are often operated independently and lack of efficient participation in the electricity market. The former weakness limits the add-on values of μCHP systems, e.g. providing ancillary services, which could benefit both the power system and the μCHP owners; while the latter weakness results in non-optimized operations of μCHP systems when their operations don’t follow the market change which indicates an immediate resource allocation of the energy society.

One of the solutions to the mentioned issues connecting small-scaled DER units like μCHP to the grid is to use a concept so-called Virtual Power Plant (VPP), which could be simply considered as an aggregation approach. The European project CRISP provided a short definition in [5]: A Virtual Power Plant is “an aggregation of DER units dispersed among the network, but controllable as a whole generating system”. Other definitions have been provided by the European project FENIX [6] and the European Virtual Fuel Cell Power Plant [7] as well as in many academic papers[8]-[10]. Although the definition of VPP varies as the method of aggregation changes from one to another, it can be basically categorized in two groups: indirect controlled VPP and direct controlled VPP.

Indirect Controlled VPP: uses incentives like variable pricing concerning both generation and consumption to encourage the DER units to decide locally in order to maximize their profit. A VPP organized electricity market could be made available to take care of the energy balance and to create increasing profit margins for DER units as given in Fig. 1. The aggregator, in this case, can not define the behaviors of the DER units by setting target values but can control the DER units by varying the incentives of energy purchasing or consuming on a statistical basis.

Direct Controlled VPP: performs a direct control over its joined DER units based on the acquired information, such as market price, contract types, available transmission capability, from the wholesale electricity market and the grid. The whole group of DER units is thus operated optimally to some extent, depending on the intelligence level of the VPP aggregator.
Disregarding the uncertainness introduced by varying aggregation approaches, small DER units like the μCHP are yet believed to have more efficient market participation through VPP in the future. Based on the varying market price, the price-responsiveness of these units would benefit both themselves and the grid operator. For instance, high electricity market prices that imply insufficient energy supplies will be attractive for μCHP units to generate more electricity and sell it back to the grid which in turn alleviates a critical situation.

The paper investigates the electricity export capability of the μCHP system under the VPP scheme, meaning the electricity buyback price is given at a value equalizing the dynamic market price. A μCHP system with optimized generation was modeled in Section II, while the marginal price of electricity export for such system is also explained in the same section. Section III shows the result of a case study, wherein the μCHP system model applied with spot market price is utilized to meet the demand of a multi-family house. The intraday analysis including sensitivity studies on specific factors and the annual analysis on system electrical performance are both done in this part, respectively. Section IV concludes the paper.

II. MODEL OF A μCHP SYSTEM WITH COST MINIMIZATION

In Fig. 2 a model of the relevant μCHP system, modified from [11], is presented. A multi-family house installed with a μCHP unit and the auxiliary units, e.g. boiler and heat tank, interacts with other energy entities. Primary fuels like natural gas or oils are supplied by the fuel supplier and electricity is fed in by the utility company. The excessive electricity produced by the system is bought by a local VPP at the spot market price. The symbols of all the energy flows depicted in Fig. 2 and the accompanying prices are shown in Table I, noticing that they are all none-negative.

![Diagram of a μCHP system for a multi-family house](image)

In this process, a group of equations indicating physical energy balances are given as follows:

**Production Balance:**

\[ f_{\text{in boiler}} (t_i) \cdot \eta_{\text{boiler}} (t_i) = h_{\text{boiler}} (t_i) \]  
(1)

**Fuel Balance:**

\[ f_{\text{in boiler}} (t_i) + f_{\text{in,acw}} (t_i) = f_{\text{ex}} (t_i) \]  
(4)

**Electrical Balance:**

\[ e_{\text{acw}} (t_i) + e_{\text{ex}} (t_i) - e_{\text{in}} (t_i) = e_{\text{demand}} (t_i) \]  
(5)

**Thermal Balance:**

\[ h_{\text{boiler}} (t_i) + h_{\text{in,acw}} (t_i) = h_{\text{demand}} (t_i) \]  
(6)

**Thermal Storage Balance:**

\[ h_{\text{CHP}} (t_i) + h_{\text{in,acw}} (t_i) = h_{\text{max}} (t_i) \]  
(7)

**Subject to capacity limit of every device:**

**Capacity limit of boiler:**

\[ f_{\text{in boiler}} (t_i) \leq f_{\text{max boiler}} \]  
(8)

**Capacity limit of μCHP:**

\[ f_{\text{in,acw}} (t_i) \leq f_{\text{max, acw}} \]  
(9)

**Storage limit of heat tank:**

\[ h_{\text{in,acw}} (t_i) \leq h_{\text{max}} \]  
(10)

The object of such system, as in (11), is to minimize the total cost for one optimization period which includes \( n \) time intervals.

\[ \sum_{i=1}^{n} \text{cost}(t_i) = \sum_{i=1}^{n} \left[ f_{\text{ex}} (t_i) \cdot p_{\text{ex}} (t_i) + e_{\text{in}} (t_i) \cdot p_{\text{in}} (t_i) - e_{\text{ex}} (t_i) \cdot p_{\text{ex}} (t_i) \right] \]  
(11)

By knowing the information regarding both energy prices and demand profiles in advance, the μCHP system is capable of generating a cost-minimized production schedule. The
schedule defines the setting point of each unit within its generation margin at every time interval. The heat demand is met by either μCHP unit or the auxiliary boiler or both, depending on an economic evaluation of the system cost. Heat tank as the thermal storage unit, provides more flexibility to μCHP system during electricity export. In other words, the μCHP system could generate more electricity for export purpose while storing the excessive heat in heat tank in the case of low heat demand but with high electricity export price. In real time, the system follows the schedule and meets its local demand with the least system cost. During this process, several assumptions are made and listed below:

- Precise prediction on energy prices and local demand, this could be possible as long as the VPP has a reliable forecasting system and the optimization period is very close to real time, like 5 minutes ahead;
- Intelligent modules with both computational capabilities and controllability are installed in the system;
- The whole system is lossless;
- Heat dump is not allowed;
- Start up cost and shut down cost are ignored;

The marginal price for electricity export of such system is a time dependent variable. It indicates the price level at which the μCHP system is willing to produce one more unit of electricity for export. It can be derived by comparing the optimized schedules under zero buyback price and marginal price.

When \( P_{ex}(t_i) = 0, \forall i = 1 \cdots n \), the total system cost can be calculated as \( Cost(t^*) \), indicating the total system cost for previous schedule in one optimization period.

When \( P_{ex}(t_a) = C_{margin}(t_a) \), and \( P_{ex}(t_i) = 0, \forall i = 1 \cdots a - 1, a + 1 \cdots n \), the total system cost can be calculated again as \( Cost(t^*) \), indicating the total system cost for the new schedule in the same optimization period.

Once \( Cost(t^*) = Cost(t^*) \), the marginal price for the specific time interval \( t_a \) can be derived. By repeating this, the marginal prices for all intervals in one optimization period can be found.

For the buyback price at a specific time interval, it doesn’t incur any electricity export until it exceeds the corresponding marginal price and further results in a less system cost for the whole optimization period.

In the situation that the optimization period only includes one time interval \( t_a \), the marginal price equation can be simply derived as follow:

\[
\frac{h_chp(\alpha)}{h_chp(\alpha)} \cdot P_{ex}(t_a) + \frac{h_chp(\alpha)}{h_chp(\alpha)} \cdot \left( P_{chp}(t_a) - e_{chp}(t_a) \right) \cdot C_{margin}(t_a) - \frac{h_chp(\alpha)}{h_chp(\alpha)} \cdot P_{chp}(t_a) = \frac{h_chp(\alpha)}{h_chp(\alpha)} \cdot P_{fuel}(t_a) \cdot \left( 1 - P_{chp}(t_a) \right) \cdot e_{chp}(t_a) - \left( 1 - P_{chp}(t_a) \right) \cdot e_{chp}(t_a) \cdot C_{margin}(t_a)
\]

The right side of (12) depicts the system cost when there is no electricity export since the buyback price is zero. It comprises the boiler cost, the cost for imported electricity as well as the cost for μCHP generation. The left side of (12) describes the updated system cost when electricity export occurs at the marginal price of μCHP system. From the equation, it’s easy to find that the marginal price for electricity export is closely related to the technical parameters of each device and the energy prices involved in the trading process.

The marginal price derived in (12) is different from the value derived when the optimization period consists of many continuous time intervals. It is because the latter situation couples the marginal price for one time interval with the other time intervals. This theoretically leads to a more cost-effective schedule than the one optimizing a single time interval, since the storage capacity at this time interval can be saved for latter use when a higher buyback price is foreseen in the coming time interval.

III. CASE STUDY

In the case study, the μCHP system is applied to a multi-family house. It aims at explore the export capability of the μCHP system based on the marginal price method given in section II. The annual demand profile for the house is on hourly basis and its average monthly profile is given in Fig. 3. Both intraday and annual analyses concerning the system performance are carried out in this section, wherein an annual hourly spot price from NordPool [12] is assumed to be electricity buyback price. Each optimization period is defined as a day and the time interval is thus considered as an hour. In the intraday analysis, sensitivity study concerning the marginal price of electricity export for the modeled μCHP system is done with three factors, \( P_{ng} \), \( \eta_{chp} \) and \( \alpha \) in both summer day and winter day. Following that, annual economic performance and export performance of such system are evaluated and further compared with the same system running under a fixed buyback price equalizing the average spot price. Values for the parameters used in the case study are given in Table II. Assumption made in section II also applies to the case studies, furthermore several variables are assumed to be fixed as shown in Table II. As a linear optimization problem, GAMS [13] is employed to simulate the process and find out the optimal solution.

A. Intraday Study

The intraday study includes studies on both winter day and summer day. Sensitivity analysis, including 4 scenarios:
system with original settings, system with -10% gas price, system μCHP efficiency equals 88%, system with μCHP unit’s heat to power ratio equals one, are carried in winter and summer, respectively. In each scenario, values for all the parameters are cited from TABLE II except for the indicated parameter.

### TABLE II

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>( f_{\text{max, boiler}} )</td>
<td>30 kW</td>
</tr>
<tr>
<td>( f_{\text{max, \muCHP}} )</td>
<td>24 kW</td>
</tr>
<tr>
<td>( h_{\text{max}} )</td>
<td>28 kWh</td>
</tr>
<tr>
<td>( \eta_{\text{i boiler}} (t_i) )</td>
<td>85.5%</td>
</tr>
<tr>
<td>( \eta_{\text{ext, \muCHP}} (t_i) )</td>
<td>80%</td>
</tr>
<tr>
<td>( \alpha(t_i) )</td>
<td>2</td>
</tr>
<tr>
<td>( P_{\text{in}} (t_i) )</td>
<td>0.115 €/kWh</td>
</tr>
<tr>
<td>( P_{\text{ex}} (t_i) )</td>
<td>0.048 €/kWh</td>
</tr>
<tr>
<td>( \delta_{\text{ext, thermal}} (t_i) ), ( \delta_{\text{ext, electrical}} (t_i) )</td>
<td>Hourly basis</td>
</tr>
</tbody>
</table>

**Case 1: Winter Day**

As given in Fig. 4, the hourly based demand profile in the studied winter day has a very high heat to power ratio. When the parameter settings is kept the same as given in TABLE II, the marginal price for such system is around 0.0677 €/kWh in most hours except for hour 18, in which the marginal price is an infinite value. This is because the μCHP system has exerted all its power to meet the peak electrical demand at hour 18, export is thus impossible. Following the peak of spot price, export starts at hour 19 and hour 20, as shown in Fig. 5.

**Case 2: Summer Day**

As given in Fig. 7, in contrast to the hourly based demand profile in a winter day, heat to power ratio of the demand in a summer day is less than 1 in most of the time. This results in a lot extra heat when the μCHP system generates electricity. In turn, the extra heat limits the export capability of such system and incurs a pretty high marginal price for electricity export. The marginal price given in Fig. 8, is equal to the electricity import price in all previous scenarios explored in a winter day. This is because varying only one parameter in a reasonable range as before is not enough to incur an efficient electricity production than buying it from the grid. Therefore, another scenario with both increased μCHP efficiency and lowered heat to power ratio of the μCHP unit is conducted. A lower marginal price at 0.1091 €/kWh can be derived, as given in Fig 8. However, this is still much higher than the spot price. No electricity is injected back to the grid in this summer day.
B. Annual Study

Utilizing the values for parameter given in TABLE II and the annual hourly spot price given in Fig. 9, the optimization process in each day is run through the whole year. Simulated result is given Fig. 10. It shows that such μCHP system can export little electricity in winter and spring. No electricity is exported in summer and fall, since the low heat demand results in relative high marginal prices.

Similar study on the annual electrical performance of μCHP system is done with fixed buyback price. The price is considered to be the average value of spot price, equalizing 0.048€/kWh. As depicted in Fig. 11, μCHP system under such pricing scheme export none electricity to the grid. Although less electricity is produced by μCHP system in such scheme, the annual cost is a little higher than that under the spot price scheme.

Table III summarizes the μCHP system performance under different pricing schemes of electricity export. The μCHP system under spot price is found to be with less system cost and more electricity production. In other words, variable export price for electricity may save little for the μCHP owners, but it does incur more exported electricity from such small units. This would ultimately make great contributions to alleviate the inadequacy of electricity supply at critical moments if more μCHP units are deployed efficiently in the power system.

<table>
<thead>
<tr>
<th>Pricing Scheme</th>
<th>Total Cost (€)</th>
<th>Generated Electricity (kWh)</th>
<th>Exported Electricity (kWh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spot Price</td>
<td>4223.6</td>
<td>18521</td>
<td>1037</td>
</tr>
<tr>
<td>Fixed Price</td>
<td>4243.6</td>
<td>17484</td>
<td>0</td>
</tr>
</tbody>
</table>

IV. CONCLUSIONS

This paper investigates the electricity export capability of a μCHP system getting dynamic export price through a Virtual Power Plant. This study provides the foundation for VPP developers and system operators to develop rational pricing schemes, which shall maximize the utilization of DER units in a more efficient way.

Based on the proposed cost-minimized μCHP model, marginal price for electricity export of such system is explained. Case studies demonstrate that the marginal price for a μCHP system is higher than the spot price in most time of the year. However, as the spot price fluctuates dramatically in spring and winter, some electricity can be sold back to the grid in case of a high spot price. In the context of very low heat demand, especially in summer, high marginal price is found when heat dumping is not allowed. The change of marginal price for μCHP systems indicates that such systems would be utilized more efficiently if they were installed at places with high thermal demand during the year.

Variable price for electricity export can exert more electricity from μCHP systems than fixed export price. However, in order to completely use the electricity export capability of μCHP systems especially in summer days, VPP developers may have to develop more effective dynamic pricing schemes rather than using spot price.
V. REFERENCES


VI. BIOGRAPHIES

Shi You received the B.Sc. degree in Electrical Engineering from Harbin Institute of Technology, China, and the M.Sc. degree in Electrical Engineering from Chalmers Institute of Technology, Sweden in 2004 and 2006 respectively. He is currently pursuing the PhD degree in department of Electrical Engineering at the Technical University of Denmark. His main fields of interest are renewable energy and electricity market.

Chresten Traeholt is an Associate Professor at Centre for Electric Technology, Technical University of Denmark. He received a PhD. in Material Science from the Technical University of Denmark in 1995. His main fields of interests are distributed generation, superconductor technology and superconducting cables.

Bjarne Poulsen is an Associate Professor of Department of Informatics and Mathematical Modeling at The Technical University of Denmark. He earned a PhD. in Electrical and Computer Engineering from The Technical University of Denmark in 1996, a master from Aalborg University in 1990.