

Lecture 16

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November 21, 2024

- Cost of Generation (Formulation and Solution)

- Construct the Lagrange Function:

$$\mathcal{L} = C_T - \lambda f$$

- * Where λ is an unknown (Lagrange) multiplier

- ED Rule (Simplified)

- All units should have the same incremental cost, λ
- Sum of unit outputs should match the total cost