**A Time Series Analysis: ERCOT Power Load Forecasting**

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# Problem Statement

Load forecasting is an important aspect of any power grid. Due to the lack of large-scale storage options, system operators must forecast the daily load (demand) ahead of time and ensure adequate power generation is secured. Load forecasts are used to determine which power-generating resources will need to be turned on, which will need to be on standby in case of increased demand and overall affect the economics of the power grid. The time-series data in this study shows historical load profiles over time and the goal of this paper will be to determine if there are any models that can explain the load profile historically (and perhaps be useful in predicting the near-term future load profiles).

# Data Description

The data shows hourly historical power load by region in Texas, as well as the overall number. The study will take data from 2017-2020, it will be in four separate excel sheets. The total records for the cumulative dataset are 35060 hours, each record to include the hourly power load for eight different regions in Texas.

The regions are broken down into COAST, EAST, FWEST, NORTH, NCENT, SOUTH, SCENT, AND WEST. There is a tenth column labelled ERCOT which is the load’s total sum of all 8 regions. This last column will be used to perform univariate analysis The first column in the dataset is the hourly timestamp which is in string format. Checking for missing values, the result was that there were no missing values, expediting the pre-processing step.

# Literature Review

The first source found was a paper completed for the 2018 International Conference on Machine Learning. In this paper, the team of researchers were focused on establishing different machine learning models for load forecasting in China. Their paper supports the use of a Support Vector Machine model that outperforms their other explored options.

The second source found was another paper completed for the 2018 International Conference on Machine Learning. In this paper, the team of researchers provided an overview of the actual forecasting methods and models used in renewable energy resources. This provides alternate and available forecasting tools to show which is the most efficient.

The third source found was an article from IEEE Transactions on Power Systems November 2013 issue. The paper introduced a novel functional time-series methodology for short term load forecasting. This was applied to data of historical daily loads in Cyprus. This study can pull future sources from this same IEEE Transaction on Power Systems journal. This is because they have many publications on load forecasting.

This study identified sources are important in understanding what load forecasting is and the role machine learning plays with the creation of models to support the objective. The study plans on using these sources to help support the models created within this project. This study also focuses on how to determine if there are any models that can explain the load profile historically.

# Data Exploration

In the Exploration step the data was plotted using ggplot2 to create subplots of all the columns, less the data column. When the plot was created, it was visually clear that there was seasonality to the data. The data was then plotted in individually to look for trends, checking for stationarity. The data was found to overall have a mild trend with increasing power demand. This will then be addressed in the pre-processing step.

# Data Wrangling

## Pre-processing

The load dataset for 2017 had a space in the Timestamp column, preventing the binding of the four years. Using bind\_rows from tidyverse, the data from 2017-2020 was merged. Following that, using strptime, the time variable data type was set. The dataset also had several NA's which arise due to issues with daylight savings (1 record in each year), hence, they were removed. Finally, the dataset was converted to a time series format for the project analysis.

Addressing the mild trend to the time series, there were different approaches taken to check for the most optimal way to detrend the data. The measures taken were Standardization, Normalization, Box-Cox and Differencing. Eventually differencing was chosen as the preferred method as it retained most of the seasonality. All four of the datasets had the same variable names except 2017’s HourEnding variable as it had a space in-between hour and ending. This was fixed to match 2018-2020’s HourEnding without a space. The timeseries was then formatted from a data.frame to a timeseries using the forecast package.

# Model Strategies

To begin with, P/ACF of the raw series and subsequent transformed series were evaluated. As can be seen in Figure 1; the raw data shows high cyclicality, and the series is certainly not stationary. This is to be expected, power demand has daily cycles (power demand being higher at certain hours of the day than others) and seasonal cycles (Winter has higher power demand than warmer months due to air-conditioning usage).

In order to overcome this, the first and second-order differenced data was observed, however the P/ACF plots still showed cyclicality. In particular, there was a continuous correlation of lag 24 (and multiples of it). Once again, this made sense in the context of the data, as the demand at any given time would be highly correlated to the demand 24, 48, 72 etc. hours before it.

As such, the data was differenced on its lag 24 (seasonal difference), which finally showed a P/ACF plot that could be modelled. Based on the plot shown, an ARIMA (24, 24, 0) model appeared to be most appropriate as the ACF tailed off and the PACF cut off for this final plot. Another model that was tested which is the GARCH (1,1) with ARIMA (24,24,0). The results included Akaike (AIC), Bayes (BIC), Shibata and Hannan-Quinn criteria for the model estimation. Basically, the lower these values, the better the model is in terms of fitting. And it was shown that results were in the (-4) range, which is good.

A second evaluation metric is the Ljung-Box test for testing the serial correlation of the error terms. The null hypothesis states there is no serial correlation of the error terms. Basically, if the p-value is lower than 5%, the null hypothesis is rejected. The model results show that the p-value is higher than 5% on the on "Standardized Squared Residuals", meaning that there is no serial correlation of the error term. Lastly, another interesting one to check (Figure 2), is *Adjusted Pearson Goodness-of-Fit* which measures the goodness of fit of the error. The null hypothesis says that the conditional error term follows a normal distribution. If the p-value is lower than 5%, the null hypothesis is rejected. The model results show three of the p-value higher than 5% and one lower. Figure 3 shows key plots of the model parameters, including graphs of ACF, Sample and Theoretical quantiles and the model Conditional SD plot.

**Figure 1**

*P/ACF Plots of ERCOT Time Series*

Chart

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Chart, box and whisker chart

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**Figure 2**

*GARCH Model: Adjusted Pearson Goodness-of-Fit Test*

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**Figure 3**

*GARCH Model: Adjusted Pearson Goodness-of-Fit Test*

Graphical user interface

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# Results and Final Model Selection

Based on information gathered in the P/ACF exercise, the ARIMA (24, 24, 0) model was fit and the results can be seen in Figure 4. Overall, this model fit quite well with a low MAPE (0.07) and low AIC (-216,565.9). What this shows is not only was the ARIMA model a good fit, it suggests that power demand is highly predictable according to the time of day. In the broader context of this assignment, this shows that forecasting power load is achievable.

**Figure 4**

*ARIMA (24, 24, 0) Model Summary and Forecast*

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# Conclusion

## Next Steps and Suggestions

In terms of next steps, having a model that can fit and predict power demand is useful for power grid planning and commercial exercises.

For planning purposes, Independent System Operators can use the load forecast to determine their power generation needs, which need to be confirmed in advance of actual power usage.

For commercial enterprises, particularly trading firms, having an accurate load forecast is one component of predicting power prices which could then be traded against. Load forecasts represent the demand side of power usage, which could then be extended to predict which generation units would need to be turned on to meet this demand. These two forces create the market price of electricity every hour of the day and could be speculated against.

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