

Optimal heterogeneity of a highly renewable pan-European electricity system

Emil H. Eriksen^a, Tom Brown^b, Martin Greiner^c

^a*Department of Physics and Astronomy, Aarhus University, 8000 Aarhus C, Denmark*

^b*Frankfurt Institute of Advanced Studies (FIAS), Johann Wolfgang Goethe Universität, Ruth-Moufang-Straße 1, 60438 Frankfurt am Main, Germany*

^c*Department of Engineering, Aarhus University, 8200 Aarhus, Denmark*

Abstract

The resource quality and the temporal generation pattern of variable renewable energy sources vary significantly across Europe. Spatial distributions of renewable assets are explored which exploit this heterogeneity to lower the total system costs for a given level of renewable electricity in Europe. A local search algorithm is used to find optimal distributions of generation capacities that minimise backup, transmission and renewable capacity costs simultaneously. Using current cost projections, an optimal distribution favours onshore wind in countries bordering the North Sea, which results in average electricity costs that are 13% lower than a homogeneous distribution of renewables proportional to each country's mean load. The sensitivities of the results to changing costs of solar generation and different mixes of onshore and offshore wind are also examined.

Keywords: renewable energy system, levelised cost of electricity, wind power generation, solar power generation

1. Introduction

The ambitious renewable energy targets set by European governments [1] imply that the share of renewables in electricity generation will increase significantly in the years to come. The electrification of other sectors, such as transportation, heating and cooling, will also play a major role in the transition [2, 3]. At present, the leading renewable technologies are wind, solar photovoltaics (PV) and hydroelectricity, of which only wind and solar PV have the potential for large scale expansion. For this reason, wind and solar PV are focussed upon here.

Since wind and solar PV are both Variable Renewable Energy Sources (VRES), backup generation is needed if the electrical demand is to be met at all times. Backup generation introduces additional system costs, which must be kept at a minimum.

The backup requirements depend on the mismatch between VRES generation and load. Using the degrees of freedom associated with the choice of the capacity distributions of VRES, it is possible to smooth out the aggregated temporal generation pattern or even shape it towards the load pattern. As a result, the mismatch (and thus the backup requirements) is lowered. To decrease the dimensionality of the problem, renewable assets are often assigned proportional to the mean load of a country in accordance with a homogeneous wind-to-solar mixing factor. This approach is demonstrated in [4, 5], where optimal

wind-to-solar mixes for Europe are found that minimise balancing and storage costs.

Further reductions in backup requirements are possible by extending the transmission network to enable more energy exchange between the countries [6, 7], but this must be balanced against the costs of transmission infrastructure. Other relevant research on the advantages and costs of grid extensions can be found in [8–12].

In this paper the assumptions of a homogeneous spatial distribution of VRES and a homogeneous wind-to-solar mixing factor are lifted and the cost-optimal siting of VRES capacities around Europe is explored.

The distribution of VRES plants is determined by at least two considerations. The first consideration is the geographical variation of the VRES quality. The resource quality is quantified through the capacity factor (CF) defined as

$$CF = \frac{\text{Average generation}}{\text{Rated capacity}}. \quad (1)$$

The capacity factor is a number between 0 and 1, where 0 means no generation and 1 means maximum generation at all times. Capacity factors for the European countries for onshore wind, offshore wind and solar PV are listed in table 1.

The second consideration is the geographical variation of the temporal generation pattern for a given VRES type. This effect is particularly important for wind since Europe is large compared to the correlation length of wind [13], and wind therefore benefits from smoothing effects across the continent. Similar to the optimal wind/solar mixes found in [4, 5], optimal layouts of each VRES can be de-

Email addresses: emilhe@phys.au.dk (Emil H. Eriksen), brown@fiас.uni-frankfurt.de (Tom Brown), greiner@eng.au.dk (Martin Greiner)

rived that, for example, reduce balancing or transmission needs.

With these points in mind, the optimal heterogeneous spatial layouts of wind and solar PV across Europe is investigated and compared to the homogeneous layouts. The main point of comparison is the average cost of electricity, which is composed of the transmission, backup and VRES costs. Different approaches to cope with the resulting large number of degrees of freedom are considered ranging from heuristic layouts constructed from resource quality knowledge to layouts obtained through numerical optimisation. In contrast to other approaches in the literature which use linear programming to optimise generation and transmission capacities simultaneously [14, 15], a local search algorithm was found to be most effective given the size and non-linear formulation of the optimisation problem considered here.

This paper is organised as follows: Section 2 discusses the general modelling of the electricity system, the key metrics and the construction of heterogeneous layouts. In section 3 the performance of the different layouts and the resulting renewable penetrations for individual European countries are discussed. Section 4 contains an analysis of the sensitivity of the results to reductions in solar costs and to expansions in offshore wind capacities. We conclude the paper with a discussion on the results and an outlook on future research.

2. Methods

2.1. Renewable resource assessment

Hourly time series for the generation of onshore wind, offshore wind and solar PV for each European country were calculated using the Renewable Energy Atlas (REA). The REA time series are based on a weather data set called Climate Forecast System Reanalysis (CFSR) from American National Centers for Environmental Prediction (NCEP) [17]. The data set covers the period from January 1979 to December 2010 and is available globally at an hourly temporal resolution and a spatial resolution of $0.31^\circ \times 0.31^\circ$. The resulting capacity factors for each country and each technology are listed in table 1.

The countrywise capacity factors depends strongly on the distribution of VRES across each country. While the highest capacity factor would be obtained by allocating all VRES to the best location, this is usually not possible due to space limitations and political concerns. However, since the capacity factor has a huge impact on the energy production costs, a homogeneous distribution is not realistic either. As intermediate solution, the VRES layout was chosen as a homogeneous distribution across the 50% best grid points in the each country.

For wind conversion, a multi turbine corrected power curve for the Vestas V90 3.0 MW turbine at 80 meter hub height was assumed [16]. For solar conversion, the Solar First Series 4 PV panel oriented south and tilted from horizontal

to a degree equal to the latitude of installation was applied [?].

2.2. The electricity network

The European electricity network is modelled using a simplified 30-node model, where each node represents a country. The nodal load is determined from historical data, while wind and solar generation data are calculated using a combination of weather data and physical models [16]. Initially, wind is assumed to be onshore only. For each node n the generation from VRES,

$$G_n^R(t) = G_n^W(t) + G_n^S(t), \quad (2)$$

can be expressed through two parameters. The penetration γ determines the amount of energy generated relative to the mean load of the node,

$$\langle G_n^R \rangle = \gamma_n \langle L_n \rangle, \quad (3)$$

while the mixing parameter α fixes wind-to-solar ratio,

$$\langle G_n^W \rangle = \alpha_n \langle G_n^R \rangle, \quad (4)$$

$$\langle G_n^S \rangle = (1 - \alpha_n) \langle G_n^R \rangle. \quad (5)$$

The nodal difference between VRES generation and load

$$\Delta_n(t) = G_n^R(t) - L_n(t) \quad (6)$$

is called the mismatch. To avoid power outages, the demand must be met at all times. Since storage is not considered, any power deficits must be covered by backup generation. Dispatchable resources are not modelled explicitly, but are considered a part of the backup generation. If $\Delta_n(t) \geq 0$, excess energy must be curtailed $C_n(t)$, while if $\Delta_n(t) < 0$ backup generation $G_n^B(t)$ is needed. Together the two terms form the nodal balancing $B_n(t) = C_n(t) - G_n^B(t)$. It is possible to lower the balancing needs by transmission. Nodes with excess generation export energy $E_n(t)$, allowing nodes with an energy deficit to import energy $I_n(t)$ to (partly) cover their energy deficit. The nodal injection, $E_n(t) - I_n(t)$, is denoted $P_n(t)$. This leads to the nodal balancing equation,

$$G_n^R(t) - L_n(t) = B_n(t) + P_n(t), \quad (7)$$

The vector of nodal injections \mathbf{P} is called the injection pattern. The actual imports and exports, and thus the injection pattern, depend on the dispatch of the nodal balancing. It is convenient to express the dispatch rules in terms of a two step optimisation problem. The top priority is to minimise the backup generation for each time step,

$$\begin{aligned} \text{Step 1:} \quad & \min_{\mathbf{P}, \mathbf{F}} \quad \sum_n \frac{(B_n(t))^2}{\langle L_n \rangle} \\ & \text{s.t.} \quad \sum_n P_n(t) = 0 \\ & \text{s.t.} \quad F_l^- \leq F_l(t) \leq F_l^+ \end{aligned} \quad (8)$$

Table 1: Capacity factors CF_n^w , $CF_n^{\bar{w}}$ and CF_n^s for onshore wind, offshore wind and solar PV for the European countries.

	CF_n^w	$CF_n^{\bar{w}}$	CF_n^s		CF_n^w	$CF_n^{\bar{w}}$	CF_n^s		CF_n^w	$CF_n^{\bar{w}}$	CF_n^s
AT	0.13	-	0.16	DE	0.20	0.44	0.14	NO	0.25	0.36	0.13
BE	0.22	0.40	0.14	GB	0.32	0.44	0.13	PL	0.17	0.34	0.14
BA	0.13	-	0.18	GR	0.14	0.34	0.19	PT	0.18	0.20	0.20
BG	0.12	0.19	0.18	HU	0.12	-	0.17	RO	0.11	0.24	0.18
HR	0.17	0.23	0.18	IE	0.35	0.38	0.11	RS	0.09	-	0.18
CZ	0.15	-	0.16	IT	0.13	0.17	0.19	SK	0.12	-	0.16
DK	0.37	0.45	0.13	LV	0.23	0.34	0.13	SI	0.07	-	0.16
EE	0.26	0.32	0.13	LT	0.20	0.32	0.13	ES	0.15	0.21	0.20
FI	0.18	0.33	0.11	LU	0.19	-	0.14	SE	0.21	0.32	0.13
FR	0.20	0.34	0.17	NL	0.27	0.43	0.13	CH	0.13	-	0.18

where F_l is the flow on link l and F_l^\pm denote flow constraints. By minimising B_n^2 (divided by $\langle L_n \rangle$) rather than G_n^B , the particular solution where all nodes are curtailing/generating backup synchronously (relative to $\langle L_n \rangle$) is obtained [18]. To ensure that the resulting flow obeys the physical flow equations, the objective in the second step is chosen to minimise the sum of squared flows [19].

$$\begin{aligned} \text{Step 2:} \quad & \min_{\mathbf{F}} \sum_l F_l(t)^2 \\ \text{s.t.} \quad & \mathbf{P}(t) = \mathbf{P}^*(t) \\ \text{s.t.} \quad & F_l^- \leq F_l(t) \leq F_l^+ \end{aligned} \quad (9)$$

where \mathbf{P}^* is the injection pattern found in step 1.

2.3. Key metrics

Inspired by [20], the energy system cost is calculated based on a few key parameters. Besides the cost of the VRES capacities, \mathcal{K}^W and \mathcal{K}^S , costs for the backup system and the transmission network are included. The backup system cost is split into two components, the cost of backup capacity \mathcal{K}^B and the cost of backup energy E^B . The backup capacity cost covers expenses related to construction and to keeping the power plants online while the backup energy cost accounts for actual fuel costs. Expressed in units of the average annual load, the backup energy is given by

$$E^B = \frac{\sum_n \sum_t G_n^B(t)}{\sum_m \sum_t L_m(t)} = \sum_n \frac{\langle G_n^B \rangle}{\langle L_n \rangle}. \quad (10)$$

In principle, the backup capacity is fixed by a single extreme event. However with this definition, the results will be highly coupled to the particular data set used. To decrease the coupling, the 99% quantile is used rather than the maximum value,

$$q_n = \int_0^{K_n^B} p_n(G_n^B) dG_n^B, \quad (11)$$

where $p_n(G_n^B)$ is the time sampled distribution of backup generation and $q_n = 0.99$. With this choice, the backup system will be able to cover the demand 99% of the time.

The remaining 1% is assumed to be covered by unmodelled balancing initiatives, e.g. demand side management. Given the nodal values \mathcal{K}_n^B , the overall backup capacity

$$\mathcal{K}^B = \sum_n \mathcal{K}_n^B \quad (12)$$

is calculated by summation. In analogy, the transmission capacity \mathcal{K}_l^T is defined so that the flow is met 99% of the time. Transmission can be positive and negative, but since links are assumed bidirectional, only the magnitude (not the sign) of the flow is to be considered. Hence

$$q_l = \int_0^{K_l^T} p_l(|F_l|) dF_l, \quad (13)$$

where $p_l(|F_l|)$ is the time sampled distribution of absolute flows and $q_l = 0.99$. Since the link length varies, \mathcal{K}^T is not calculated directly by summation, but instead as a weighted sum,

$$\mathcal{K}^T = \sum_l \mathcal{K}_l^T d_l, \quad (14)$$

where d_l denotes the length of link l .

In this paper E^B will be expressed in units of average annual load, \mathcal{K}^B in units of average hourly load and \mathcal{K}^T in units of average hourly load \times megametre.

2.4. Cost modelling

Cost assumptions for the elements of an electricity system vary greatly across the literature [20]. In this study, the cost assumptions published by [21] have been adapted with a single modification. The cost of solar has been reduced by 50% in accordance with near future solar PV panel price projections [22]. The resulting estimates are listed in table 2. In general, the cost assumptions are in the low end for VRES which reflects the expectation that the cost of VRES will go down in the future as the penetration increases [23]. Backup generation is priced based on the cost of Combined Cycle Gas Turbines (CCGTs).

From the VRES penetration, the mixing factor and the mean load, the effective generation of each node can be

Table 2: Cost assumptions for different assets separated into capital expenditures (CapEx) and fixed/variable operational expenditures (OpEx).

Asset	CapEx [€/W]	OpEx _{fixed} [€/kW/y]	OpEx _{variable} [€/MWh]
CCGT	0.90	4.5	56.0
Solar PV	0.75	8.5	0.0
Offshore wind	2.00	55.0	0.0
Onshore wind	1.00	15.0	0.0

calculated. Dividing by the associated capacity factor, the capacity is obtained. Except for transmission capacity, the present value of each element can be calculated directly as

$$V = \text{CapEx} + \sum_t \frac{\text{OpEx}_t}{(1+r)^t} \quad (15)$$

where r is the return rate assumed to be 4%. The transmission capacity cannot be translated directly into cost as the cost depends on the length and the type of the link. Link lengths have been estimated as the distance between the country capitals. Link costs are assumed to be 400€ per km per MW for AC links and 1,500€ per km per MW for HVDC links. For HVDC links, an additional cost of 150,000€ per MW per converter station (one at each end) is added [9, 10, 24]. The layout of AC and HVDC links has been constructed by [6] from ENTSO-E data.

To allow for comparison of different energy systems, the Levelised Cost of Electricity (LCOE) is a convenient measure. The LCOE is the cost that every unit of energy produced during the lifetime of the project must have to match the present value of investment [25],

$$\text{LCOE} = \frac{V}{\sum_t \frac{L_{EU,t}}{(1+r)^t}}. \quad (16)$$

Since the life time of the system elements differs, the LCOE is evaluated separately for each system element. The LCOE for the complete system is calculation by summation. Life times of 25 years for solar PV and onshore wind, 20 years for offshore wind, 30 years for CCGT plants and 40 years for transmission infrastructure were assumed. See [20] for more details on the cost calculation.

Because extreme events in terms of backup capacity (all countries have a large energy deficit) and transmission capacity (some countries have an energy deficit while others have excess generation) are generally not overlapping, scaling down \mathcal{K}^T with some fraction ζ tends to lower the LCOE since \mathcal{K}^B is not increased accordingly. This point is illustrated in figure 1. The benefits of transmission have previously been studied by [26].

Figure 1 reveals that the LCOE is generally decreased by the presence of a transmission grid. However, the lowest LCOE is not obtained by installing the full \mathcal{K}^T ($\zeta = 1$). The cost optimal value of ζ depends of the electricity system being analysed and on the specific LCOE definition (in

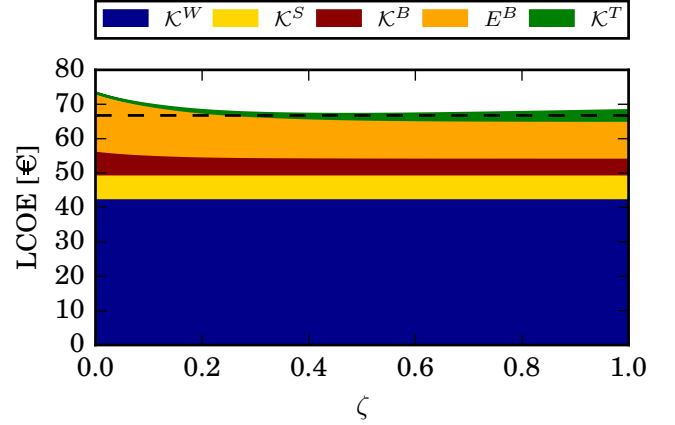


Figure 1: LCOE components for different values of ζ . The dashed line indicates the approximated LCOE (see text). The calculations were performed using a homogeneous layout with $\alpha_{EU} = 0.84$ (cost optimal mix) and the synchronised export scheme.

the present case the optimum is around $\zeta = 0.5$). Obtaining the lowest possible LCOE would thus require system individual optimisation. To avoid the additional complexity associated with such an optimisation and to define the LCOE function in a consistent way, the LCOE will consistently be calculated using the synchronised export scheme at $\zeta = 1$, but with only 50% of the \mathcal{K}^T cost. The approximation is shown as a dashed line in figure 1. While the approximation is not perfect, the inaccuracy associated with the approximation is small compared to the uncertainty of the cost estimates.

2.5. Heuristic β layouts

The simplest way to distribute the renewable resources would be to assign the resources homogeneously (relative to the mean load of the node) so that $\gamma_n = \gamma_{EU}$ (and $\alpha_n = \alpha_{EU}$). However this assignment might not be ideal since the capacity factors vary significantly between the nodes. Having this point in mind, an intuitive way to proceed would be to assign resources proportional to the CF. To generalise the idea, the CF is raised to an exponent β [21]. For a wind only layout, the nodal γ values are given by

$$\gamma_n^W = \gamma_{EU} (\text{CF}_n^W)^\beta \frac{\langle L_{EU} \rangle}{\sum_m \langle L_m \rangle (\text{CF}_m^W)^\beta} \quad (17)$$

where γ_{EU} is the overall penetration assumed to be 1. An equivalent expression for the solar only layout is obtained by the substitution $W \rightarrow S$. Examples for $\beta = 1$ are shown in figure 2. In the layout illustrations, each bar represents a country n . The height of the bar is γ_n while the mix α_n between onshore wind (blue) and solar (yellow) is expressed through the bar colouring. β layouts for any value of α can be constructed as a linear combination of the wind and solar only layouts with

$$\gamma_n = \alpha_{EU} \gamma_n^W + (1 - \alpha_{EU}) \gamma_n^S \quad (18)$$

and

$$\alpha_n = \frac{\alpha_{EU} \gamma_n^W}{\alpha_{EU} \gamma_n^W + (1 - \alpha_{EU}) \gamma_n^S}. \quad (19)$$

For practical reasons, it is not possible to realise extremely heterogeneous layouts. On the one hand the geographical potentials for VRES installations in countries with good renewable resources may be a limiting factor; on the other hand countries with poor renewable resources may not want to become too dependent on imports. To constrain heterogeneity, the heterogeneity factor K is introduced by requiring

$$\frac{1}{K} \leq \gamma_n \leq K. \quad (20)$$

With this definition, $K = 1$ corresponds to a homogeneous layout while $K = \infty$ represents unconstrained heterogeneity.

2.6. Heuristic CF layout

Although the capacity factor of a β layout is higher than the capacity factor of the homogeneous layout (for $\beta > 0$), it is possible to achieve an even higher capacity factor without violating the constraints in equation (20). In the wind/solar PV only cases, the capacity factor is maximised by assigning $\gamma_n = K$ to the countries with the highest capacity factor for wind/solar PV and $\gamma_n = \frac{1}{K}$ to the remaining countries, except for a single in-between country which is fixed by the constraint

$$\sum_n \gamma_n \langle L_n \rangle = \langle L_{EU} \rangle. \quad (21)$$

Examples for $K = 2$ are shown in figure 2. Similar to the β layouts, CF layouts for arbitrary α_{EU} values can be constructed as linear combinations of the wind and solar PV only layouts.

2.7. Optimised layouts

The optimisation objective is minimisation of the LCOE with respect to the 60 variables $\gamma_1, \dots, \gamma_N, \alpha_1, \dots, \alpha_N$ for the $N = 30$ countries. A number of optimisation algorithms were tested including the Nelder-Mead method [27], simulated annealing [28], genetic algorithms [29] and cuckoo search [30]. However, a custom local search algorithm implementation denoted Greedy Axial Search (GAS) was found to be most effective [31]. All optimised layouts have been obtained using the GAS routine. These layouts will be denoted GAS layouts. To decrease computation time, optimisations were performed using a one year slice of the 32 year data set.

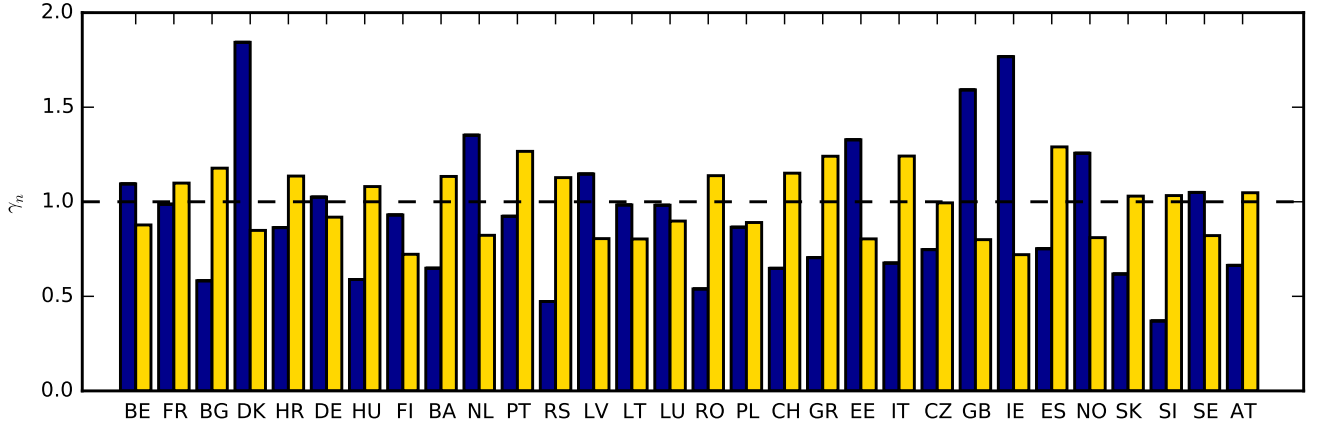
3. Results

An overview of the key parameters for each of the capacity layouts with varying α_{EU} and fixed $\gamma_{EU} = 1$ is shown in figure 3. For backup energy and backup capacity, the optimal mix is around $\alpha_{EU} = 0.9$, which is slightly higher than the values found by [4, 5]. The difference can be attributed to differences between the REA data used in this paper and the Fraunhofer-Institut für Windenergie und Energiesystemtechnik (IWES) (former ISET) data [32] used by [4, 5]. For transmission capacity, the curves are quite similar for the β layouts with a minimum around $\alpha_{EU} = 0.5$. For the CF layouts a larger increase in \mathcal{K}^T is observed as K is increased. This observation is in qualitative agreement with intuition since the CF layouts are generally more extreme than the β layouts. The main parameter of interest, the LCOE, has a maximum at $\alpha_{EU} = 0$. For the β and CF layouts it drops steadily as α_{EU} is increased until around $\alpha_{EU} = 0.84$ where the minimum is located. The GAS optimised layouts are also to be found in the wind dominated region, but their α values are generally lower. The high cost at $\alpha_{EU} = 0$ is caused by a combination of high backup energy/capacity costs and the fact that the CF of solar is generally lower than for onshore wind. The cost of producing one unit of energy is thus higher for solar than for onshore wind even though the CapEx is lower for solar. To assess the validity of the LCOE approximation proposed in section 2.4, the non approximated LCOE for the GAS optimised layouts is plotted in figure 3 (hexagons). To obtain these points the LCOE was evaluated with optimised values of ζ (0.43, 0.44 and 0.45 for $K = 1, 2$ and 3 respectively).

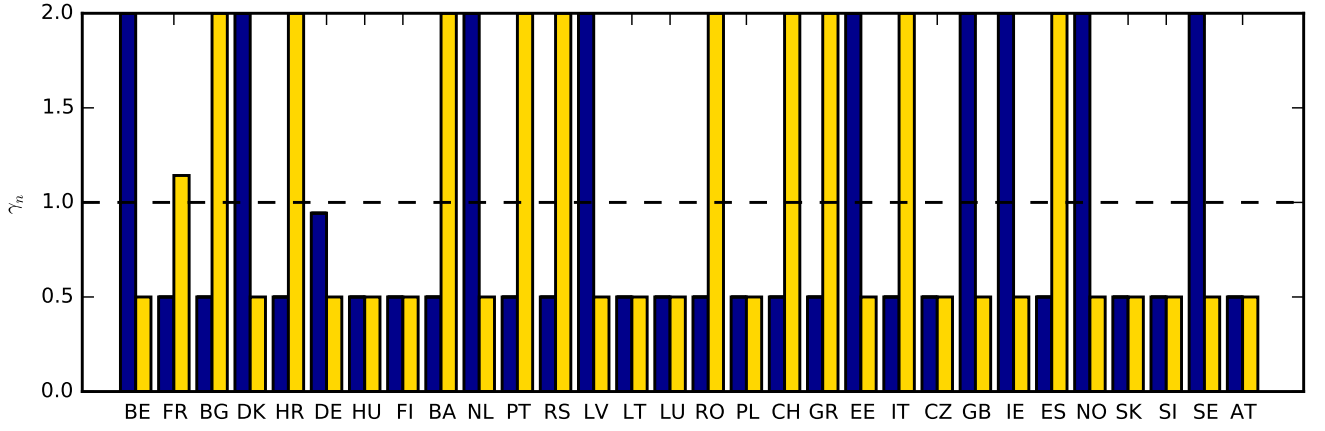
From the comparison it is clear that the approximation generally works well. The LCOE is underestimated slightly, and the error tends to increase with K . At $K = 2$ the approximated LCOE is off by 1.3%.

The componentwise costs for the optimal β , CF and GAS layouts are shown in figure 4. From this figure it is clear that the VRES cost is dominating. Compared to the β and CF layouts, the GAS layouts include a slightly larger solar component. The magnitude of the solar component for the GAS layouts drops with increasing K value. As the heterogeneity constraints are loosened K becomes more favourable since it becomes possible to allocate more resources to the sites with a very high CF. A similar effect is present for solar, but it is less dominant since the difference between the highest and lowest CF for solar (0.20, Spain vs. 0.11, Finland) is much smaller than for wind (0.37, Denmark vs. 0.07, Slovenia).

Figure 6 confirms that the cost of transmission increases with increasing heterogeneity. To quantify what happens, the link usage for the homogeneous layout and the GAS layout for $K = 2$ is visualised in figure 5. Comparing figure 5a and figure 5b it is clear that the flow does not increase homogeneously across the network. The primary increase is on links connected countries with severe excess



(a) Examples of β layouts for $\beta = 1$.



(b) Examples of CF layouts constrained by $K = 2$.

Figure 2: Examples of heuristic layouts. In each sub figure, two sets of bars are shown corresponding to the $\alpha_{EU} = 1$ and 0 layouts.

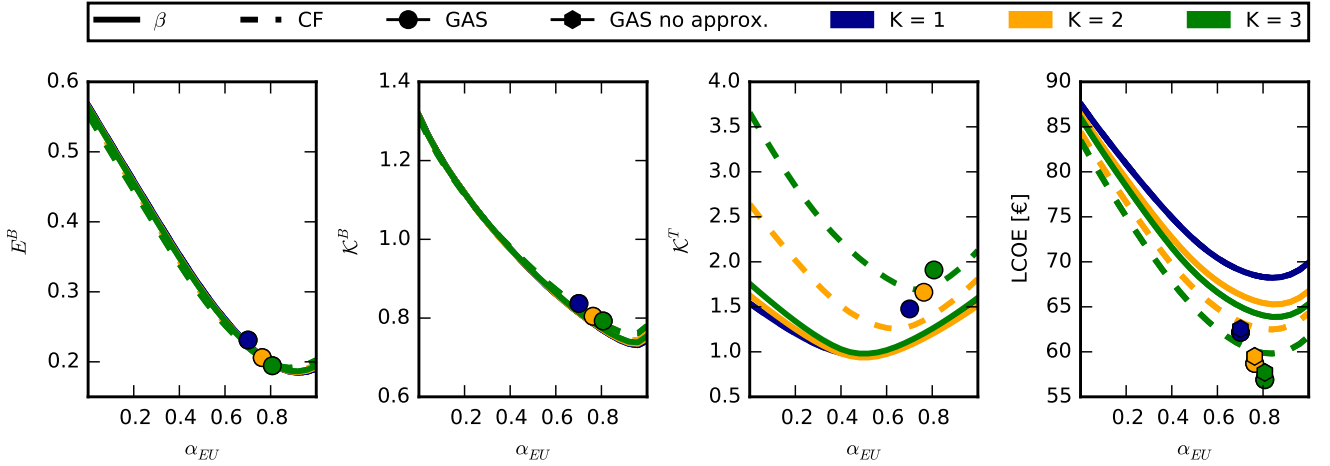


Figure 3: Overview of the key parameters and the associated LCOE as a function of α_{EU} . The β and CF layouts are shown as solid and dashed lines respectively. The GAS layouts are plotted as dots. Different constraints are shown: $K = 1$ (blue), 2 (yellow) and 3 (green).

generation, e.g. Great Britain, Ireland, the Netherlands, Norway and Denmark. However, additional flows are also

induced on links connected to Germany and France, which act as transit countries. The capacity of links connecting

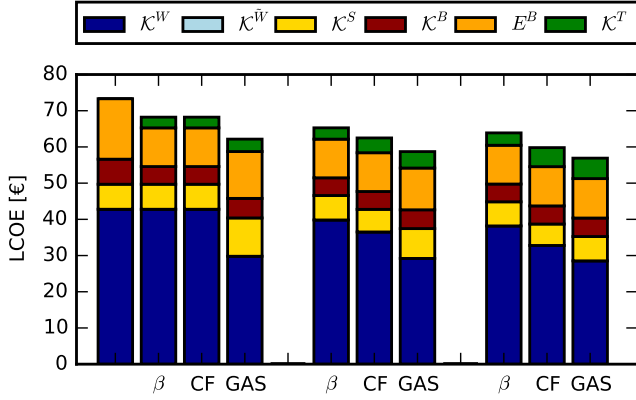


Figure 4: Componentwise LCOE for the optimal β , CF and GAS layouts for $K = 1$ (left), 2 (middle) and 3 (right). The unlabelled bar represents the homogeneous layout without transmission.

south and central European countries remains practically unchanged.

The optimal β , CF and GAS layouts are shown in figure 6. Note that for $K = 1$, the β and the CF layouts are both equal to the homogeneous layout. From figures 6b and 6c we see that the CF and the GAS layouts are quite similar. These figures also explain why the GAS routine is able to include a solar component at a competitive cost; unlike the β and CF layout definitions, the GAS routine has the freedom to assign solar only to countries with poor wind resources, e.g. Serbia (RS) and Slovenia (SI).

4. Sensitivity analysis

4.1. Reduced solar cost

For the β as well as the CF layouts, the optimal mix is around $\alpha_{EU} = 0.84$. As mentioned previously, wind domination is partly a consequence of the higher cost of energy generation for solar PV compared to onshore wind. The cost of solar has dropped rapidly in the recent years and this tendency might very well continue. To shed some light on the consequences of further price reductions, the sensitivity of the optimal mix to reductions in the solar cost has been examined. Figure 7 illustrates the change in LCOE for the GAS optimised layouts when the solar cost is reduced by 25%, 50% and 75% respectively. The 0% scenario is included as a reference.

A reduction of the solar cost by 25% does not change the picture much. The optimal mix is shifted from above 0.75 to below 0.75 and the LCOE drops by around 2€ (cost comparison numbers are calculated for the GAS layouts at $K = 2$). As the solar cost is reduced by 50% the cost at $\alpha_{EU} = 0$ (pure solar) becomes comparable to the cost at $\alpha_{EU} = 1$ (pure wind). The optimal mix drops to around 0.6 and the LCOE is reduced by almost 6€ compared to the reference scenario. Reducing the cost of solar by 75%, solar becomes much cheaper than wind, and the optimal

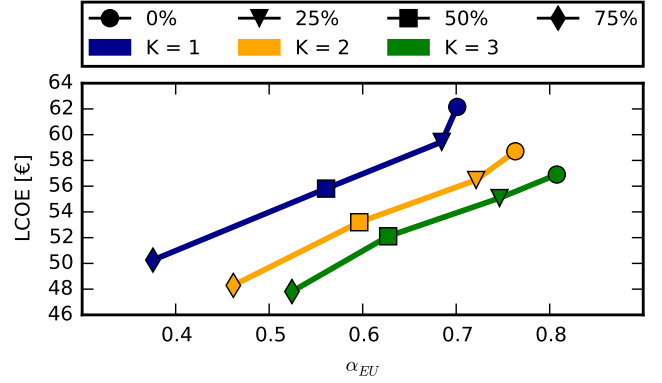


Figure 7: LCOE of the GAS optimised layouts when the solar cost is reduced by 25% (triangle), 50% (square) and 75% (diamond). The 0% scenario (circle) is included as a reference. Different constraints are shown: $K = 1$ (blue), 2 (yellow) and 3 (green).

mix is shifted below $\alpha_{EU} = 0.5$ indicating solar domination. Compared to the reference scenario, the LCOE dropped by more than 10€. However, it should be noted that such large cost reductions for PV may not be plausible. Much of the recent cost reduction has come from reduced material costs; the remaining costs come from the installation, where it is not so easy to economise.

4.2. Offshore wind

So far, wind has been assumed to be onshore only. By January 2014, the total European onshore wind capacity was 120.8GW, while the offshore capacity was 8.0GW [33]. The increasing share of offshore wind raises the question, how the LCOE will be affected by the introduction of an offshore component. The immediate expectation would be a significant increase in the LCOE since the expenditures for offshore wind are more than 100% higher than for onshore wind due to foundation expenses and increased maintenance costs. On the other hand the capacity factors for offshore sites are generally higher than for onshore sites.

It would be possible to introduce offshore wind on equal footing with onshore wind and solar PV. However, since offshore wind is much more expensive, an optimised layout would pose a 0% offshore component, which is not an interesting nor surprising result. Instead, a fixed offshore component is introduced by splitting the wind component into an onshore γ^W and an offshore $\gamma^{\bar{W}}$ component,

$$\gamma^W \rightarrow \gamma^W + \gamma^{\bar{W}}, \quad (22)$$

for countries with suitable offshore regions. In practice these are the North Sea countries (Denmark, Germany, Great Britain, Ireland, the Netherlands, France, Belgium, Norway and Sweden). Other countries retain onshore wind only. The magnitude of the offshore component is defined by requiring that the offshore wind power generation accounts for a fixed share of the total wind power generation. Cost details for optimised layouts with fixed offshore

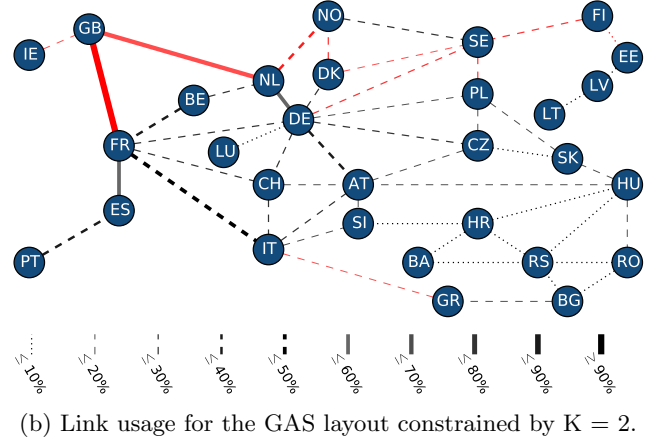
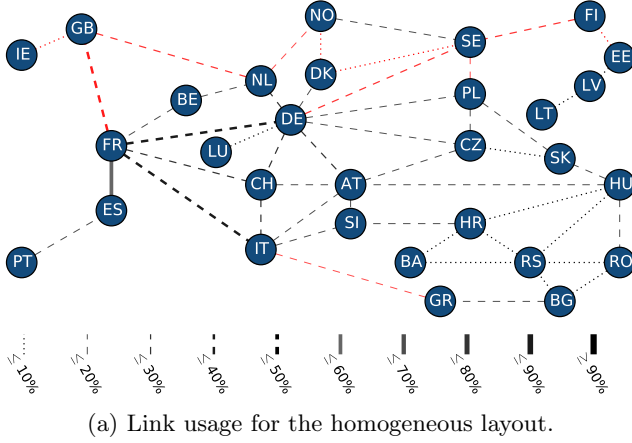


Figure 5: Overview of link usage. AC links are shown in black while HVDC links are shown in red. Link capacities are calculated as per equation (13) and indicated relative to the highest flow (103 GW between Great Britain and France in figure 5b).

shares of 25% and 50% are shown in figure 9. The 0% scenario is included as a reference.

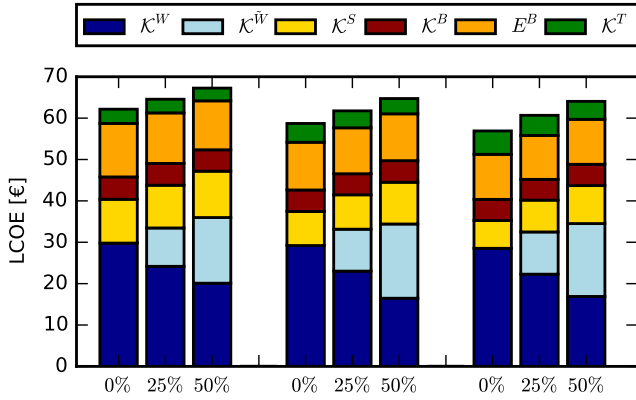


Figure 9: Cost details for the GAS optimal layouts for $K = 1$ (left), 2 (middle) and 3 (right) for offshore shares of 0%, 25% and 50%.

From figure 9 it is clear that the introduction of an offshore component increases the LCOE. However, the increase in LCOE is not dramatic. While the cost of wind increases significantly, the cost of backup and transmission decreases slightly. The decrease is a consequence of the difference in the temporal generation pattern from onshore to offshore wind. In some time steps the onshore generation is low while the offshore generation is high. The introduction of an offshore component thus tends to smooth out the wind generation time series. The GAS optimised layouts for an offshore share of 50% are shown in figure 10.

5. Discussion and conclusions

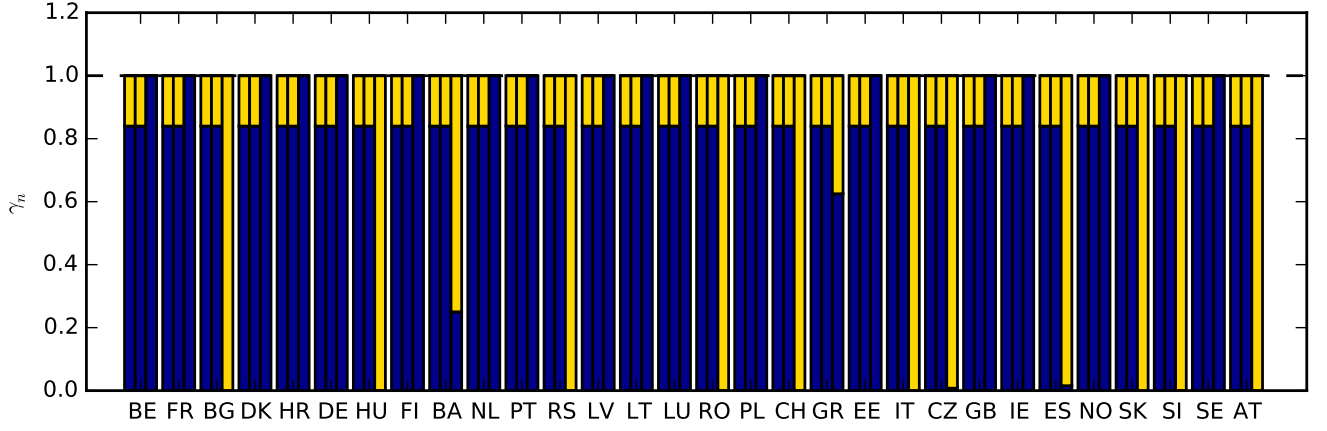
The cost-optimal distribution of VRES around Europe has been investigated for the case where the mean VRES generation equals the mean load ($\gamma_{EU} = 1$). It was found that although the costs of backup generation and transmission are significant, the main costs are associated with the

VRES capacities. The VRES capacity costs can be lowered by allocating more resources to countries with high capacity factors and by preferring onshore wind over solar PV. Allowing each country to install VRES capacities covering a minimum of 50% and a maximum of 200% of their mean load, the LCOE can be lowered by more than 8% by choosing the heuristic CF layout which maximises the overall capacity factor. An additional 5% reduction of the LCOE was achieved by explicit optimisation. This cost reduction can be attributed to the general tendency for the heterogeneous layouts to shift wind capacities towards the North Sea countries. Since the wind resource quality is better than for the central and southern countries, this reallocation results in lower costs.

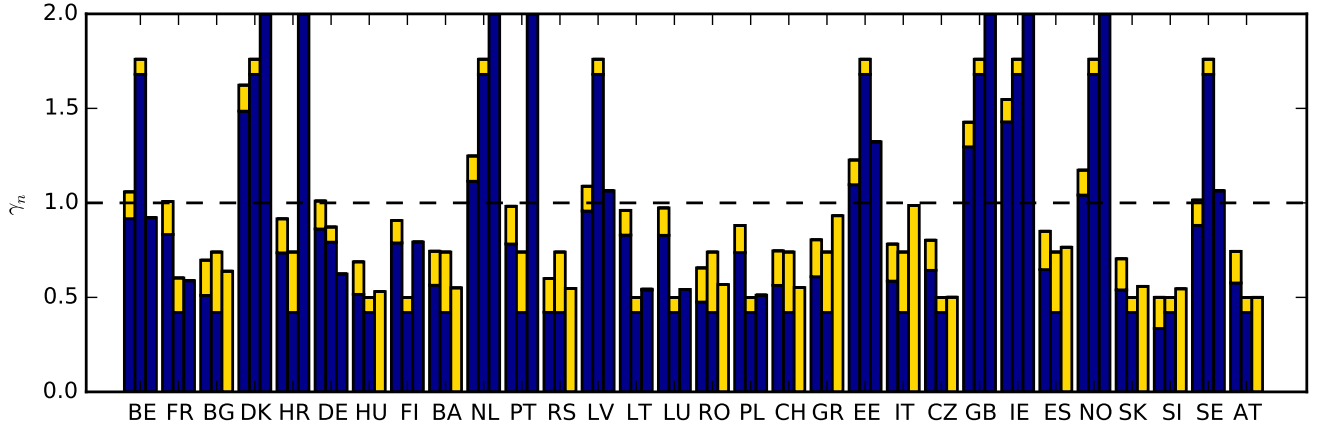
In the past onshore wind has been the predominant VRES and the cost-optimal mixes presented here are also dominated by onshore wind, based on current cost projections. However, the cost of solar PV has dropped more rapidly than expected in recent years, and solar PV has already reached grid parity in some markets [34]. If this decreasing price trajectory continues much longer, the cost optimal mix may end up around $\alpha_{EU} = 0.6$, indicating almost equal amounts of wind and solar PV installations.

The main analysis considered onshore wind only, but the effect of introducing an offshore component was also discussed. Although capacity factors offshore are higher than onshore and the temporal generation pattern is more stable, these advantages are offset by the higher costs arising from expensive offshore foundations and increased maintenance costs. However, offshore wind has several other benefits: the opposition from the public is usually lower than for onshore wind, and the potential for expansion larger. When feasible onshore sites have been exhausted, offshore wind might present the best alternative.

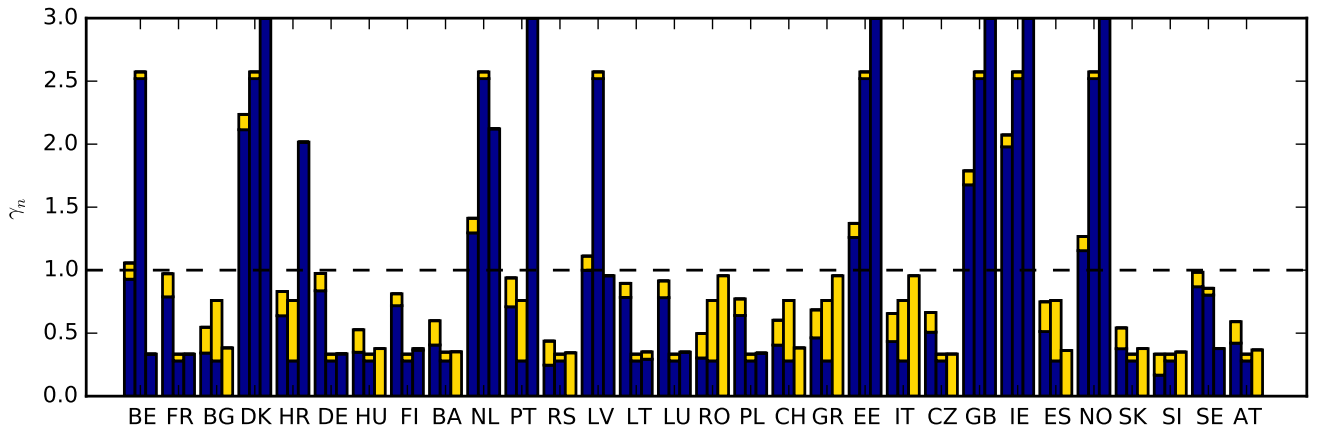
There are several avenues for further investigations. The cost assumption for the backup generation is based on the worst-case scenario that all backup is provided by gas turbines. In reality, up to 17% of Europe's electricity sup-



(a) Optimal layouts constrained by $K = 1$.



(b) Optimal layouts constrained by $K = 2$.



(c) Optimal layouts constrained by $K = 3$.

Figure 6: Optimal layouts. In each sub figure, three sets of bars corresponding to the β layout (left), the CF layout (centre) and the GAS optimised layout (right) are shown.

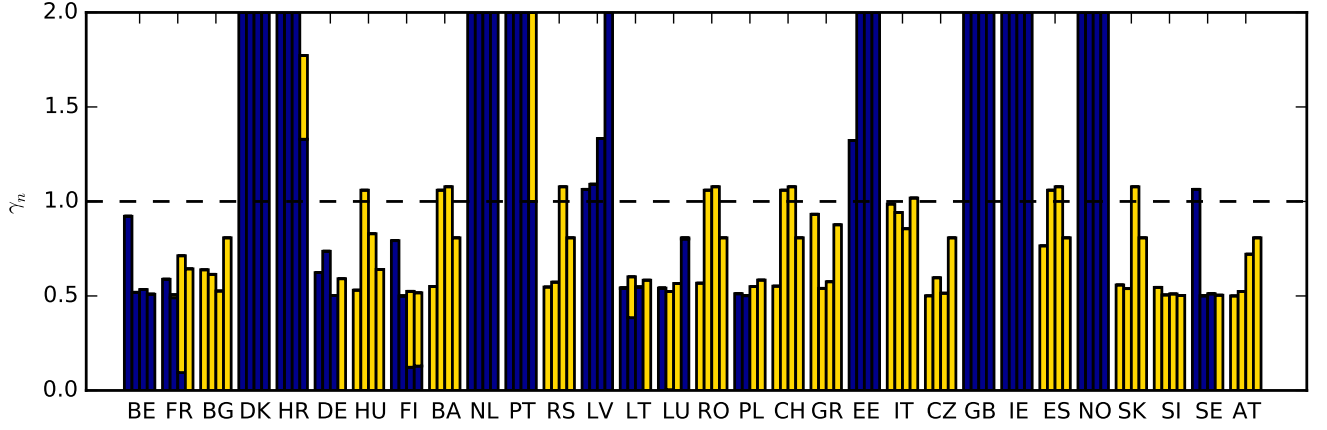


Figure 8: GAS optimised layouts constrained by $K = 2$ for a solar cost reduction of (from left to right) 0% (reference), 25%, 50% and 75%.

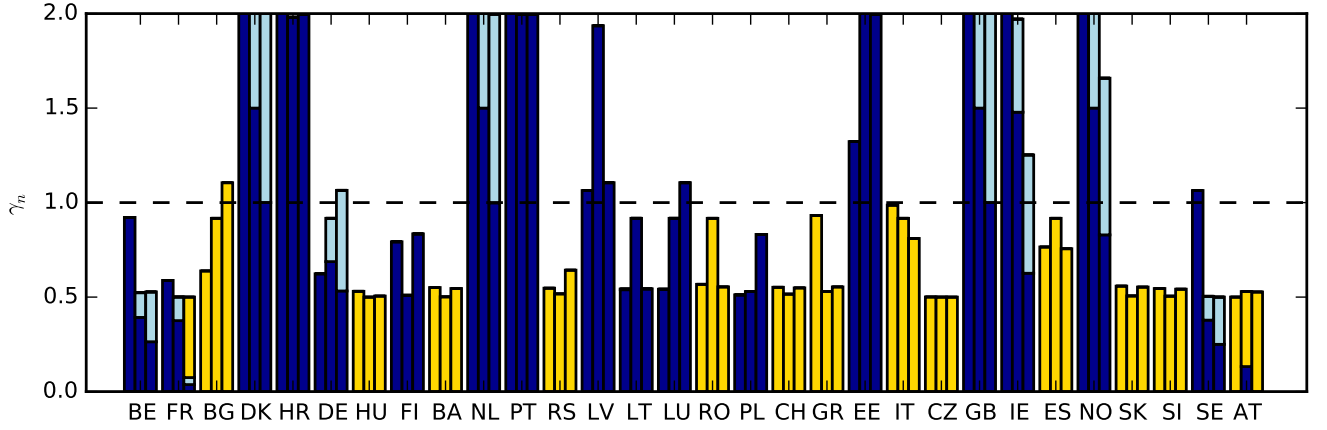


Figure 10: GAS optimised layouts constrained by $K = 2$ for an offshore share of (from left to right) 0% (reference), 25% and 50%.

ply is already provided by hydroelectric plants, most of which are flexible, some of which have storage capacity and all of which produce electricity at very low marginal cost. Incorporating hydroelectricity in the modelling would reduce the LCOE further. Similarly non-hydro storage may present cost savings for high renewable penetrations. In addition, a full assessment of the geographical resource potentials in each country for each VRES technology would allow further heterogeneity beyond the $K = 2, 3$ limits considered here, which would also result in a lower LCOE.

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