

# Optimal heterogeneity of a highly renewable pan-European electricity system

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## Abstract

The resource quality and the temporal production pattern of variable renewable energy sources (VRES) varies significantly across Europe. A homogeneous distribution of wind and solar capacities makes inefficient use of the resources, resulting in high system costs. A heterogeneous redistribution of renewable assets maximising the overall capacity factor results in smaller investments in renewable capacities, but higher costs of transmission. The cuckoo search algorithm is used to find optimal distributions VRES capacities minimising backup, transmission and renewable capacity costs simultaneously, resulting in lower costs of electricity.

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

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## 1. Introduction

The ambitious renewable targets set by the European leaders[1] imply that the renewable penetration will increase significantly in the years to come. Due to the variable nature of the leading renewable technologies, wind and solar PV, the electricity system must include a backup system, if power outs are to be avoided. It is possible to reduce the backup needs by exchanging energy between the countries through a transmission network[2, 3].

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In a conventional energy system, the siting of production capacities is not a concern. No geographical areas are preferable, so the power plants are simply put where the demand is present. For renewable energy sources, the situation is more complicated. One of the main reasons is the geographical

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variation of the quality of the renewable resources. On average, a solar photovoltaic (PV) installation in Spain will be more productive than an equivalent installation in Ireland. On the other hand, a wind farm located in Ireland will be productive than an equivalent installation in Spain. The resource quality is quantified through the capacity factor  $\nu$  defined as

$$\nu = \frac{\text{Average production}}{\text{Rated capacity}}. \quad (1)$$

The capacity factor is a number between 0 and 1, where 0 means no production and 1 means maximum production at all times. Capacity factors for the European countries for onshore wind, offshore wind and solar PV are listed in table 1. The capacity factors were calculated using the Renewable Energy Atlas[4] (REA). The layout of renewables was chosen as a homogeneous distribution across the 50% best sites. For wind conversion, the power curve of the Vestas V90 3.0MW turbine was assumed. For solar conversion, the Scheuten P6-54 solar PV panel oriented south and tilted from horizontal to a degree equal to the latitude of installation was applied.

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

	$\nu_n^w$	$\tilde{\nu}_n^w$	$\nu_n^s$		$\nu_n^w$	$\tilde{\nu}_n^w$	$\nu_n^s$		$\nu_n^w$	$\tilde{\nu}_n^w$	$\nu_n^s$
AT	0.16	-	0.15	DE	0.26	0.53	0.13	NO	0.31	0.44	0.12
BE	0.27	0.49	0.12	GB	0.39	0.53	0.11	PL	0.22	0.42	0.13
BA	0.16	-	0.16	GR	0.17	0.43	0.17	PT	0.23	0.25	0.18
BG	0.14	0.24	0.17	HU	0.14	-	0.15	RO	0.13	0.31	0.16
HR	0.21	0.28	0.16	IE	0.43	0.47	0.10	RS	0.11	-	0.16
CZ	0.19	-	0.14	IT	0.17	0.21	0.17	SK	0.15	-	0.15
DK	0.45	0.54	0.12	LV	0.29	0.42	0.11	SI	0.09	-	0.15
EE	0.33	0.41	0.11	LT	0.25	0.40	0.11	ES	0.19	0.26	0.18
FI	0.23	0.41	0.10	LU	0.24	-	0.13	SE	0.26	0.41	0.12
FR	0.25	0.42	0.15	NL	0.34	0.53	0.12	CH	0.16	-	0.16

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The other main reason is the mismatch between the renewable energy production and the load. Analyses of the European weather patterns have shown that there is an optimal mix between wind and solar power generation which minimises the need for backup from conventional sources [5, 6]. These analyses assume a homogeneous spatial distribution of renewables throughout all countries. In this paper, we explore possible benefits of heterogeneous

distributions of VRES capacities in a highly renewable pan-European electricity system.

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. Besides heuristic layouts, layouts obtained by optimization using the cuckoo search algorithm are considered. 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. The electricity network

The European electricity network is modelled using a 30-node model where each node represents a country. The nodal load is determined from historical data, while wind and solar production data are calculated using a combination of weather data and physical models[4]. Initially, wind is assumed to be onshore only. For each node  $n$  the generation from VRES,

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

can be expressed through two parameters. The penetration  $\gamma$  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  $\alpha$  fixes the ratio between wind and solar,

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

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

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 matched 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 can be curtailed  $C_n(t)$ , while if  $\Delta_n(t) < 0$  backup generation  $G_n^B(t)$  is needed.

$$C_n(t) = +\max(\Delta_n(t), 0) \quad (7)$$

$$G_n^B(t) = -\min(\Delta_n(t), 0) \quad (8)$$

Summing the two terms, we get 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 production 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,

$$G_n^R(t) - L_n(t) = B_n(t) + P_n(t). \quad (9)$$

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 business rules of the nodal interactions. It is convenient to express business rules in terms of a two step optimization problem. The top priority is to minimize the backup generation,

$$\begin{aligned} \text{Step 1:} \quad & \min_{\mathbf{P}} \quad \sum_n G_n^B = G_{min}^B \\ & \text{s.t.} \quad f_l^- \leq f_l \leq f_l^+ \end{aligned} \quad (10)$$

where  $f_l^\pm$  denote any flow constraints on the network. The minimal backup energy can be realized by a number of injection patterns. The degeneracy is removed by choosing the injection pattern that minimizes the sum of squared flows,

$$\begin{aligned} \text{Step 2:} \quad & \min_{\mathbf{P}} \quad \sum_l f_l^2 \\ & \text{s.t.} \quad f_l^- \leq f_l \leq f_l^+ \\ & \text{s.t.} \quad \sum_n G_n^B = G_{min}^B. \end{aligned} \quad (11)$$

The purpose of the second minimization step is twofold. First, it ensures that the nodes exchange energy in the most localized way. Secondly, it guarantees that the solution resembles a physical flow[7].

## 2.2. Key metrics

Inspired by [8], 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  $\mathcal{K}^B$  (including maintance) and the cost of backup energy  $E^B$ . The backup capacity cost covers expenses related to keeping the power plants online while the backup energy cost accounts for the actual fuel cost. Expressed in units of the average yearly load, the backup energy is given by

$$E^B = \frac{\sum_n \sum_t G_n^B(t)}{\sum_n \sum_t L_n(t)} = \sum_n \frac{\langle G_n^B \rangle}{\langle L_n \rangle}. \quad (12)$$

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,

$$q_n = \int_0^{K_n^B} p_n(B_n) dB_n \quad (13)$$

where  $p_n(B_n)$  is the time sampled distribution of backup power 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 cover by unmodeled system components like storages or emergency [WHAT]. In accordance, the transmission capacity  $\mathcal{K}^T$  is defined so that the demand is met 99% of the time. Since transmission can be positive and negative, the larger of the absolute value of the 0.5% and the 99.5% quantile is used rather than the 99% quantile,

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

with

$$\mathcal{K}_l^T = \max\{-Q_{0.5\%}, Q_{99\%}\} \quad (15)$$

and

$$x = \int_{-\infty}^{Q_x} p_n(f_l) dF_l. \quad (16)$$

Cost assumptions for the elements of an energy system vary greatly across the literature [8]. In this study, the cost assumption published by [9] have been adapted, see table 2. 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 [10].

Table 2: Cost assumptions for different assets.

Asset	CapEx [€/W]	Fixed OpEx [€/kW/year]	Variable OpEx [€/MWh]
CCGT	0.9	4.5	56.0
Solar photovoltaic	1.5	8.5	0.0
Wind – offshore	2.0	55.0	0.0
Wind – onshore	1.0	15.0	0.0

From the VRES penetration, the mixing factor and the mean load, the effective production of each node can be calculated. Dividing by the associated capacity factor, one arrives at the capacity. Except for transmission capacity, the present value of each element can be calculated directly as

$$V = \text{CapEx} + \sum_t \frac{\text{OpEx}_t}{(1+r)^t} \quad (17)$$

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 for AC links and 1,500€ per km for HVDC links. For HVDC links, an additional cost of 150,000€ per converter station (one in each end) is added [11–13]. The layout of AC and DC links has been constructed by [2] from ENTSO-E data.

Given the element costs, the system cost  $V_{sys}$  is calculated by summation. 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 [14],

$$\text{LCOE} = \frac{V_{sys}}{\sum_t \frac{L_{EU,t}}{(1+r)^t}}. \quad (18)$$

See [8] for more details on the cost calculation.

### 2.3. Heuristic 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  $\gamma_n = \gamma$  (and  $\alpha_n = \alpha$ ). 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 resource quality. To generalise the idea, the resource quality expressed through  $\nu$  is raised to an exponent  $\beta$  as suggested by [9]. For a wind only layout, the  $\gamma$  values are given by

$$\gamma_n^W = (\nu_n^W)^\beta \frac{\langle L_{EU} \rangle}{\sum_m \langle L_m \rangle (\nu_m^W)^\beta}. \quad (19)$$

An equivalent expression for the solar only layout is obtained by the substitution  $W \rightarrow S$ . Examples for  $\beta = 1$  are shown in figure 1.  $\beta$  layouts for any value of  $\alpha$  can be expressed as a linear combination of the wind and solar only layouts with

$$\gamma_n = \alpha \gamma_n^W + (1 - \alpha) \gamma_n^S \quad (20)$$

and

$$\alpha_n = \frac{\alpha \gamma_n^W}{\alpha \gamma_n^W + (1 - \alpha) \gamma_n^S}. \quad (21)$$

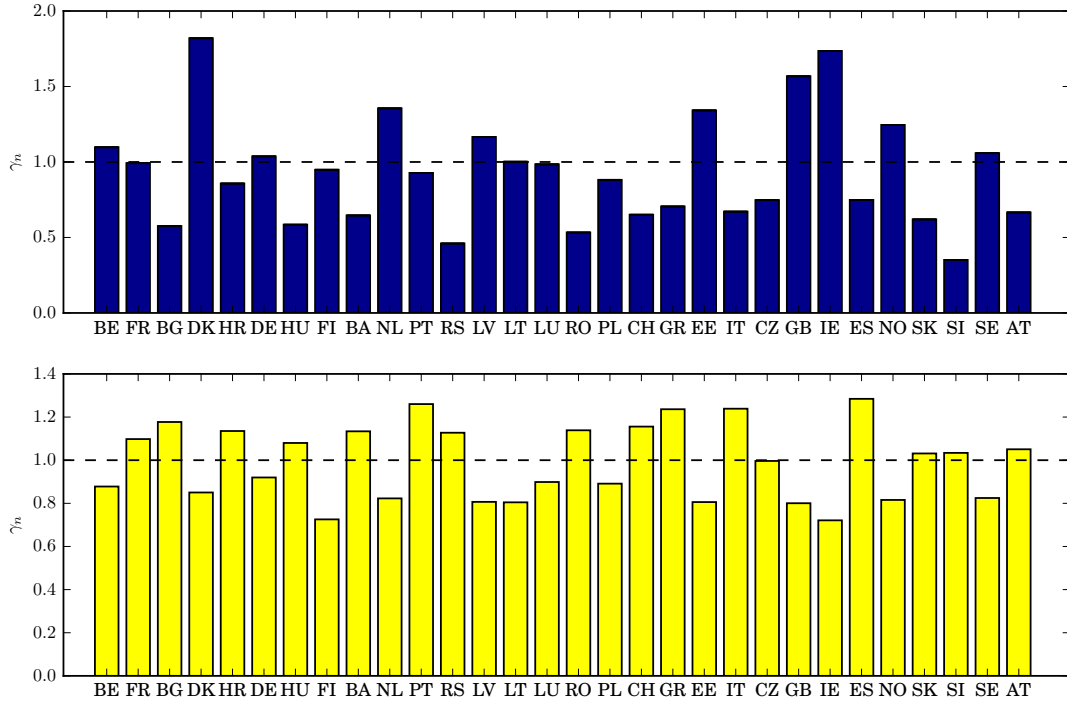


Figure 1:  $\beta = 1$  layouts with  $\alpha = 1$  (top) and  $\alpha = 0$  (bottom).

For political reasons, it is not possible to realise arbitrarily heterogeneous layouts. To constrain heterogeneity, the heterogeneity factor  $K$  is introduced by requiring

$$\frac{1}{K} \leq \gamma_n \leq K. \quad (22)$$

With this definition,  $K = 1$  corresponds to a homogeneous layout (in terms of  $\gamma$ ) while  $K = \infty$  represents unconstrained heterogeneity.

Although the capacity factor of a  $\beta$  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 (22). 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. Examples for  $K = 2$  are shown in figure 2. Similar to the  $\beta$  layouts,  $\nu_{max}$  layouts for arbitrary  $\alpha$  values can be expressed as a linear combination of the wind and solar PV only layouts.

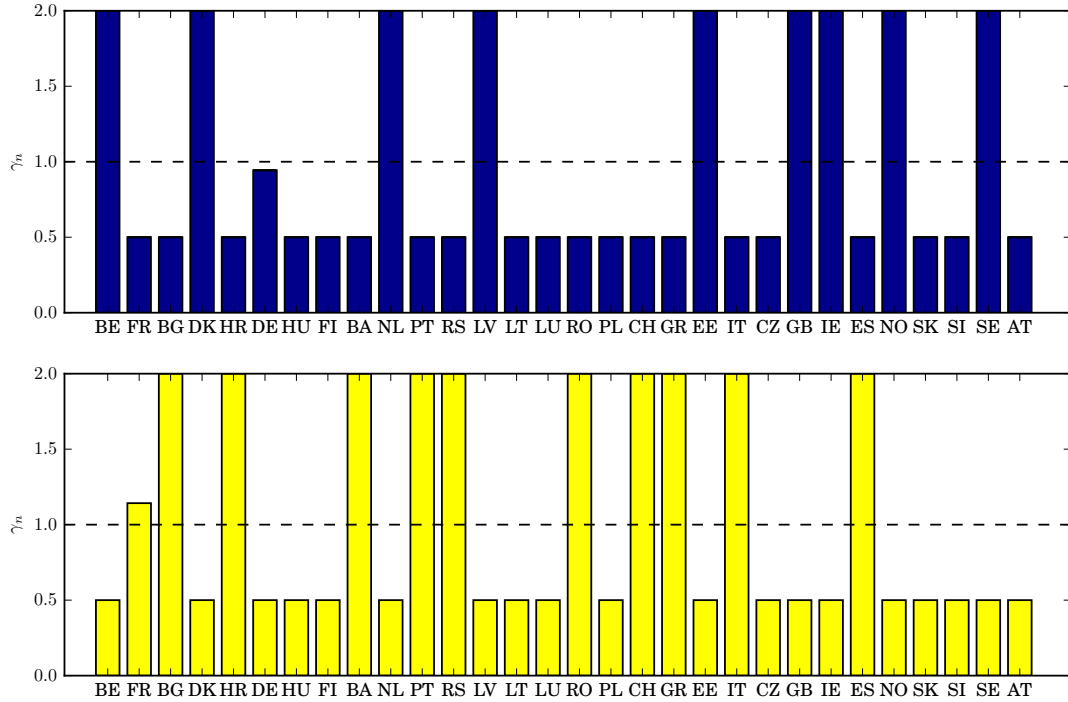


Figure 2:  $\nu_{max}$  layouts constrained by  $K = 2$  with  $\alpha = 1$  (top) and  $\alpha = 0$  (bottom).



### 3. Results

An overview of the key variables is shown in figure 3. For backup energy and backup capacity, the optimal  $\alpha$  value is around 0.9, which is slightly higher than the values found by [5, 6]. The difference can be attributed to the different data sets used for wind and solar PV. For transmission capacity, the minimum is around  $\alpha = 0.4$ , indicating a high share of solar PV. While the wind correlation length is around  $\approx 1000$  km [15] and thus smaller than Europe, the occurrence of sun light is highly correlated for the European countries [16]. Therefore, a high wind share causes more power to flow between the countries.

The main variable of interest, the LCOE, shows a very clear tendency. The more wind, the lower the cost. The tendency is a consequence of the significantly higher cost of energy production for solar PV compared to onshore wind. The CapEx is 50% higher and the capacity factor, on average, around 40% lower. Even though the cost of backup energy, backup capacity and transmission capacity is lowered by the introduction of a small solar component, the savings do not compensate the higher cost of production for solar PV compared to onshore wind.

The cost components for the optimal  $\beta$ ,  $\nu_{max}$  and CS layouts are shown in figure 4. From this figure it is clear that the VRES cost is dominating, which explains the wind monopoly for the  $\beta$  and  $\nu_{max}$  layouts. The CS layouts include a small solar component, decreasing with increasing K values. The CS layouts are noticeably cheaper than both the  $\beta$  and the  $\nu_{max}$  layouts, primarily due a decrease in transmission costs.

The optimal  $\beta$ ,  $\nu_{max}$  and CS layouts are shown in figures 5 to 7. Note that for  $K = 1$ , the  $\beta$  and the  $\nu_{max}$  layouts are both equal to the homogeneous layout. From figures 6 and 7 we see that the  $\nu_{max}$  and the CS layouts are quite similar. These figures also explain why the CS algorithm is able to include a solar component at a competitive cost; unlike the  $\beta$  and  $\nu_{max}$  layout definitions, the CS algorithm has the freedom to assign solar only to countries with poor wind resources, e.g. Serbia (RS) and Slovenia (SI). In addition, the CS algorithms reallocates some of the wind resources, e.g. from Latvia (LV) to Portugal (PT), to counteract power flows. See figure 9 for details on the power flows on the network.

### 4. Sensitivity analysis

#### 4.1. Excluding transmission in the optimization

While the main findings include only three optimized layouts, for  $K = 1, 2$  and  $3$ , numerous optimizations must be performed to allow convergence

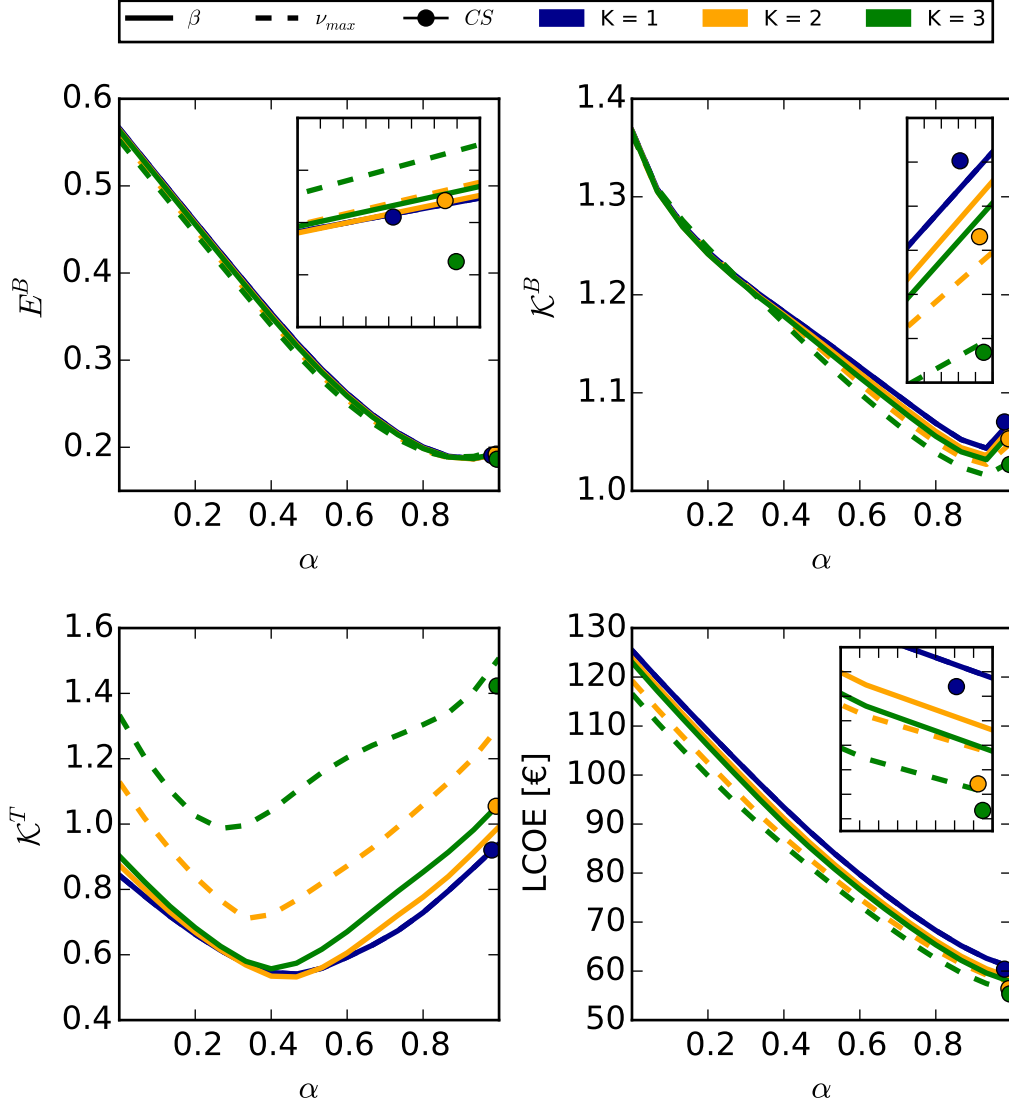


Figure 3: Overview of the key variables, backup energy  $E^B$ , backup capacity  $K^B$  and transmission capacity  $K^T$  along with the associated LCOE.

analysis, parameter tuning, and sensitivity analysis. In this case, each optimization taking more than a day is impractical.

As mentioned in appendix Appendix.1, the computation time can be decreased by analysing only a subset of the 32 years of data. However, going below one year is not ideal as this choice would imply neglecting important seasonal fluctuations. Numerically, the most costly operation in the analysis is the quadratic optimization problem, equation (10), which is solved in each

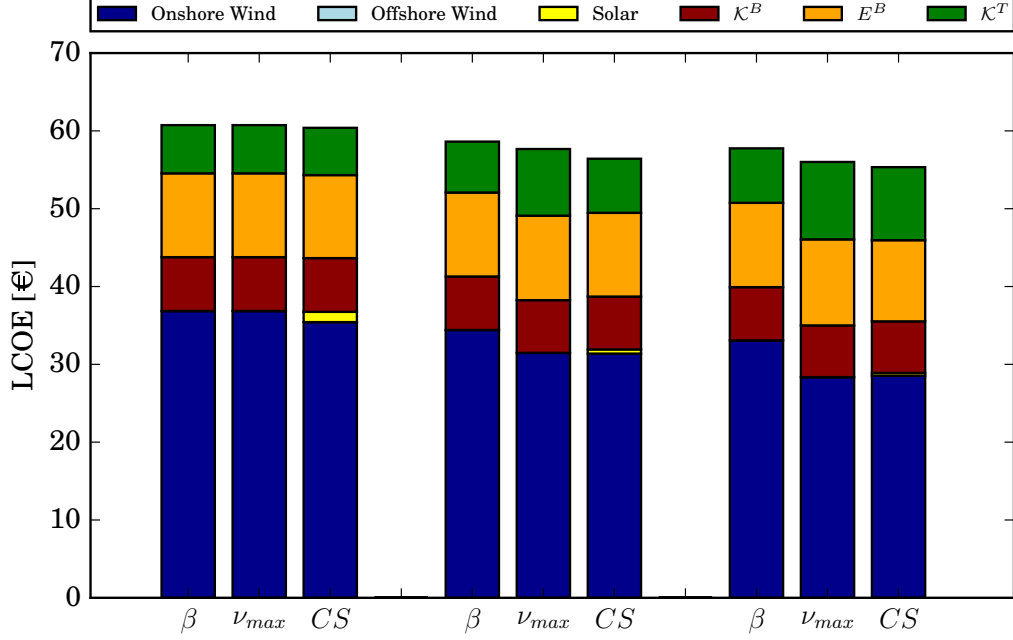


Figure 4: Cost details for the optimal  $\beta$ ,  $\nu_{max}$  and CS layouts for  $K = 1$  (left), 2 (middle) and 3 (right).

iteration to determine the flows. This step is not needed to determine backup properties. By skipping the step, it is possible to speed up the optimization by more than a factor of 50. Layouts obtained by optimization excluding transmission are shown in figure 8.

It is clear that the optimization succeeds in decreasing the cost of all, but the transmission component. However, for  $K = 2$  and  $K = 3$ , the associated increase in transmission cost is so large that the CS layouts end up being more expensive than the  $\nu_{max}$  layouts at  $\alpha = 1$ . The difference between the CS layouts with transmission included/excluded is noticeable, but the CS solution obtained without transmission is still fairly good. For convergence analysis, parameter tuning, and sensitivity analysis, optimizations have been performed excluding transmission costs. This includes all CS solutions presented in this section.

To illustrate how the CS solution changes when transmission is taken into account, the link usage for the two solutions for  $K = 2$  is shown in figure 9.

From figure 9 we see that in the CS layout obtained with transmission included, the resources have been reallocated in such a way that the link usage is decreased. In particular, the load on HVDC links (shown in red) is lower. Since the cost of HVDC links is significantly higher than the cost

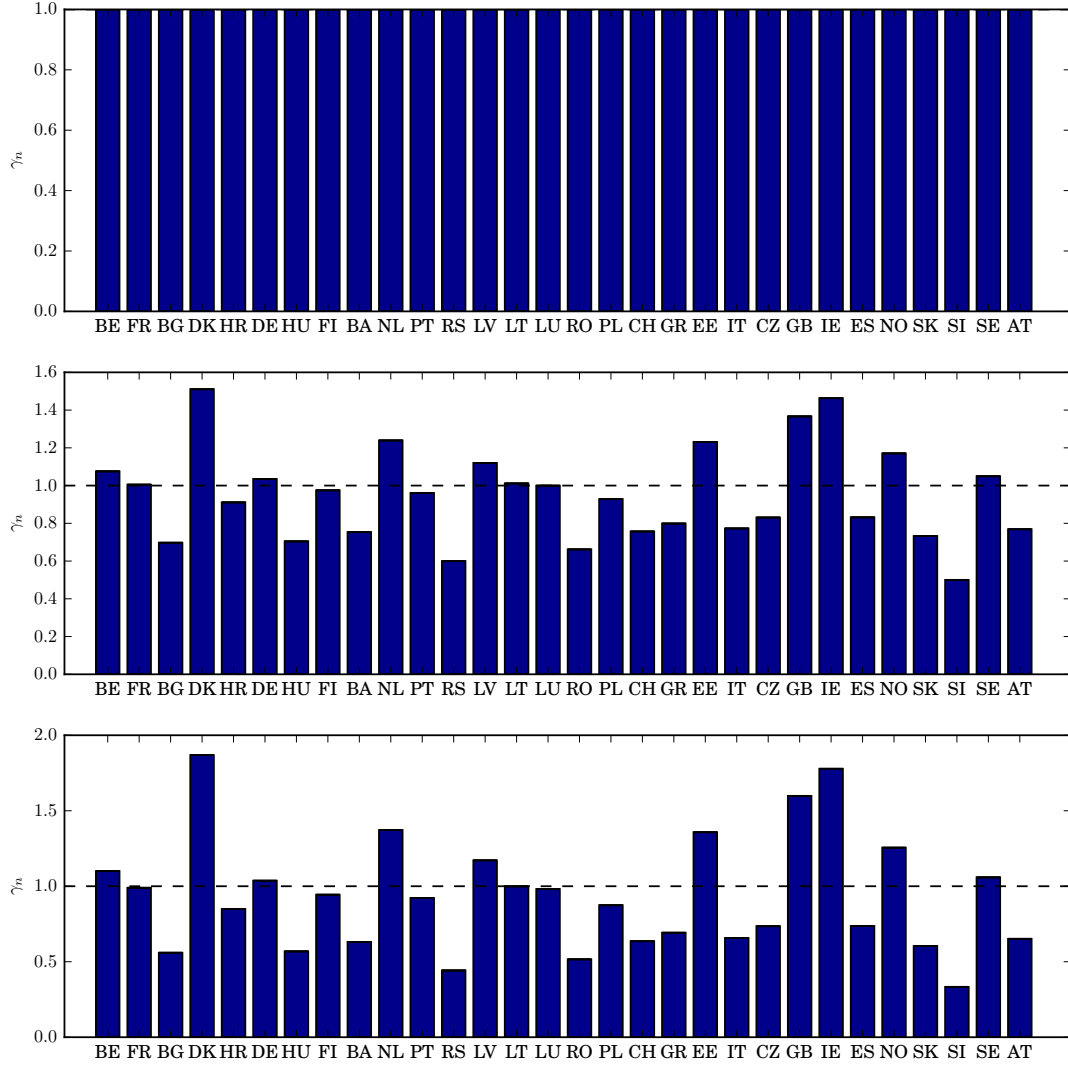


Figure 5:  $\beta$  layouts constrained by  $K = 1$  (top), 2 (middle) and 3 (bottom) with  $\alpha = 1$  corresponding to the cost optimal mix.

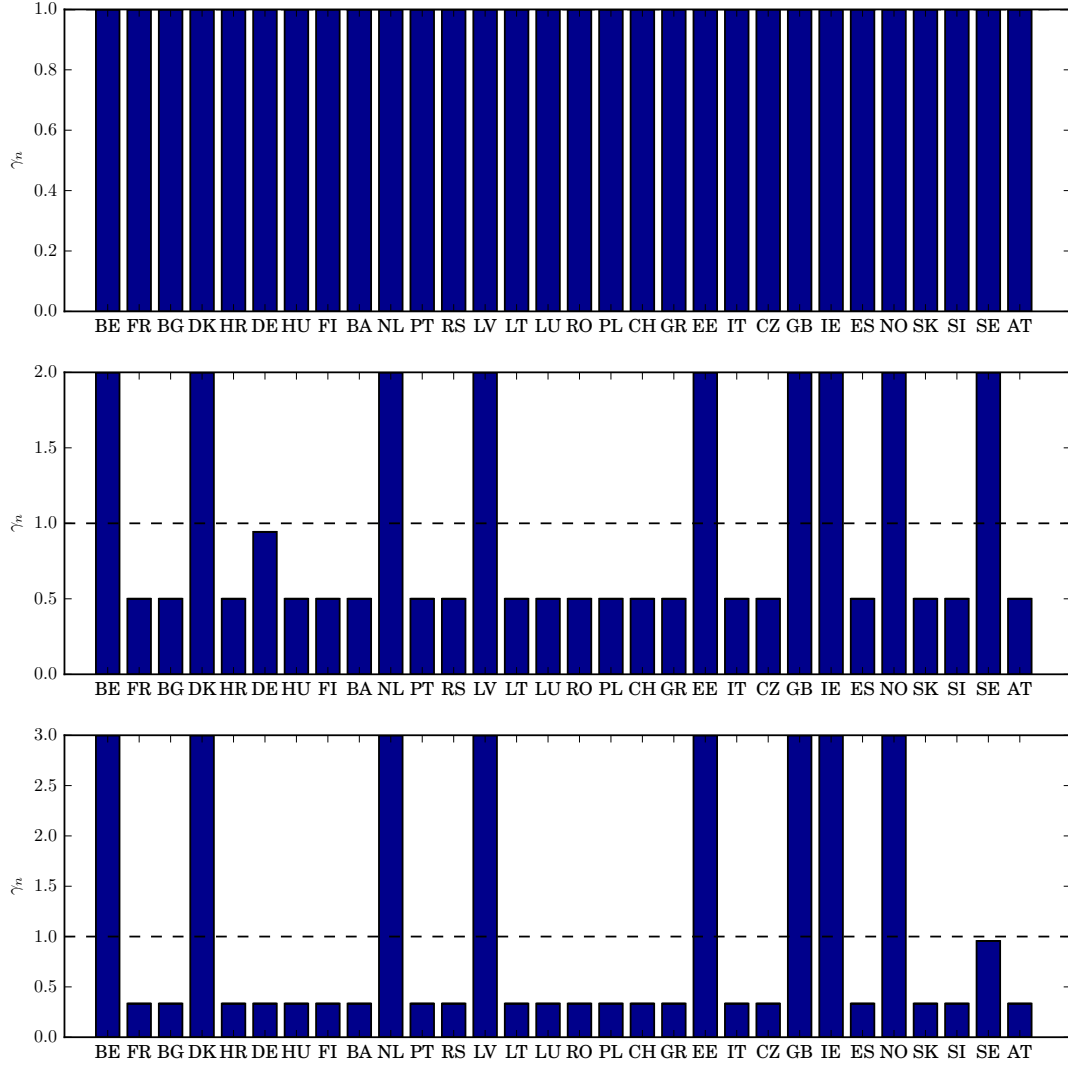


Figure 6:  $\nu_{max}$  layouts constrained by  $K = 1$  (top), 2 (middle) and 3 (bottom) with  $\alpha = 1$  corresponding to the cost optimal mix.

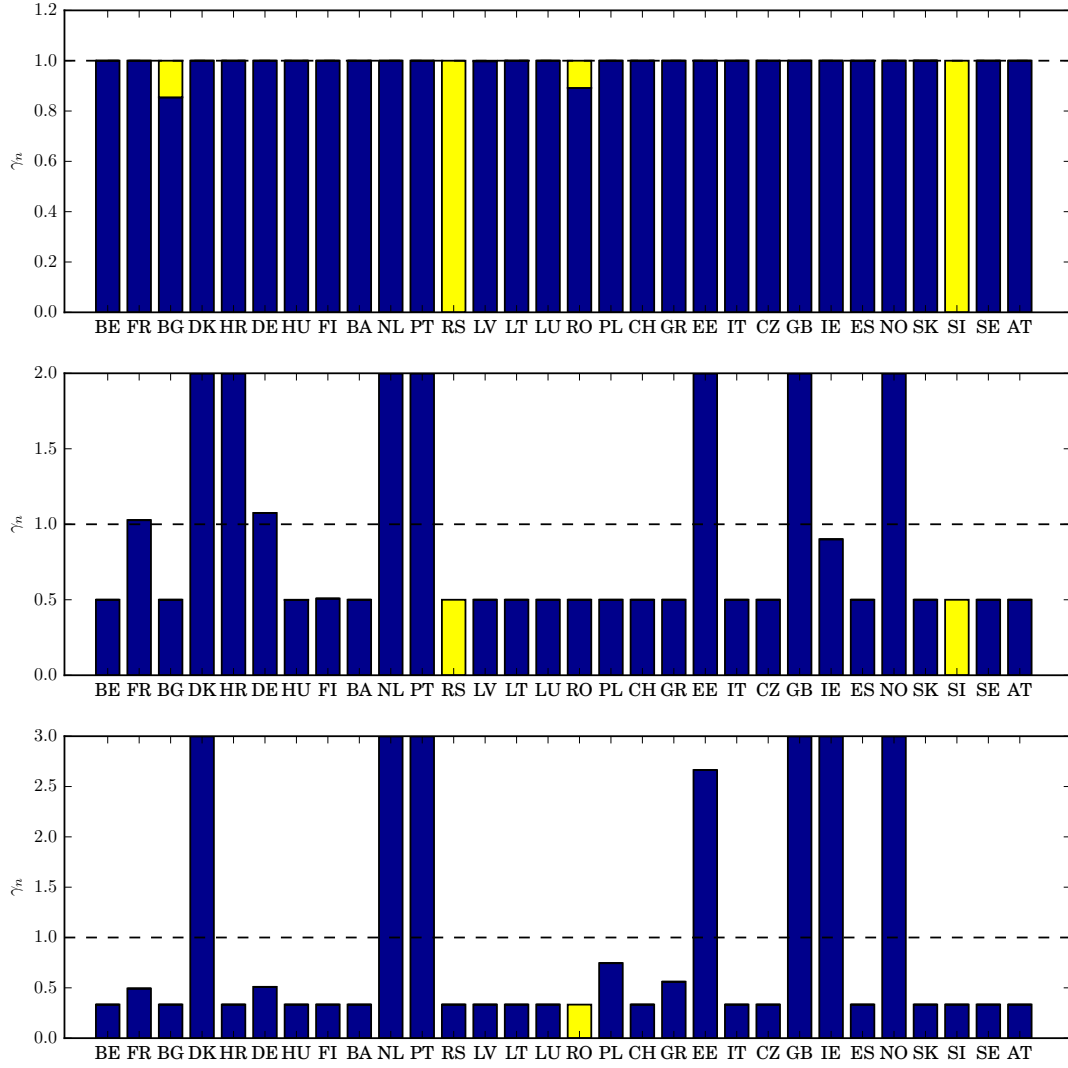


Figure 7: CS layouts constrained by  $K = 1$  (top), 2 (middle) and 3 (bottom).

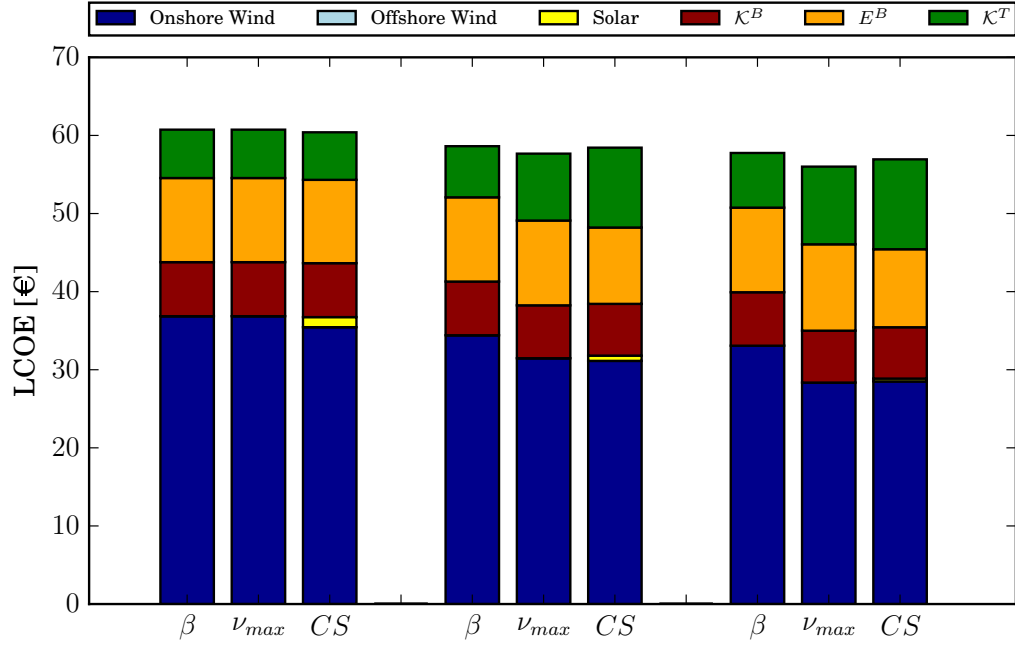


Figure 8: Cost details for the optimal layouts for  $K = 1$  (left), 2 (middle) and 3 (right) for  $\beta$ ,  $\nu_{max}$  and CS (transmission excluded).

of AC links, it makes perfect sense that the load on these links has been decreased the most.

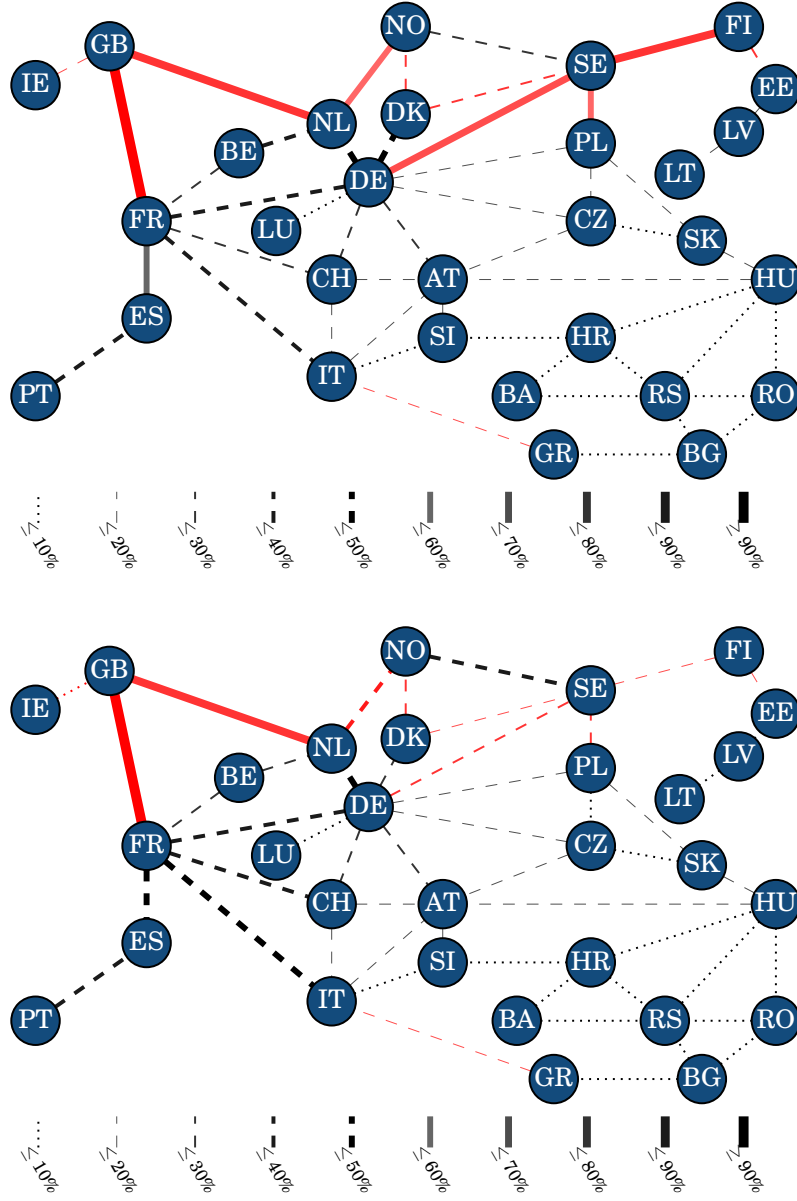


Figure 9: Overview of link usage for the CS optimized layouts excluding (top) and including (bottom) transmission costs for  $K = 2$ . AC links are shown in black while HVDC links are shown in red. Link capacities are indicated relative to the highest flow (74 GW between Great Britain and France on the top figure). As transmission costs are included in the optimization, the layout is altered in a way that tends to decrease the load on HVDC links. This tendency can be attributed to the fact that the cost of HVDC links is significantly higher than the cost of AC links. An exception is Great Britain where  $\nu^W$  is so high that the resulting low cost of wind energy outweighs the cost of the HVDC connections.



#### 4.2. Reduced solar cost

For the  $\beta$  as well as the  $\nu_{max}$  layouts, the optimal  $\alpha$  values are 1. Even for the CS layouts, only a minor solar component is present. As mentioned previously, this tendency is a consequence of the higher cost of energy production for solar PV compared to onshore wind. In this section, the sensitivity of the optimum to the solar cost is explored. In figure 10, the LCOE as a function of  $\alpha$  is shown, similar to the lower left of figure 3, when the solar cost is reduced by a factor of 2 and 4 respectively.

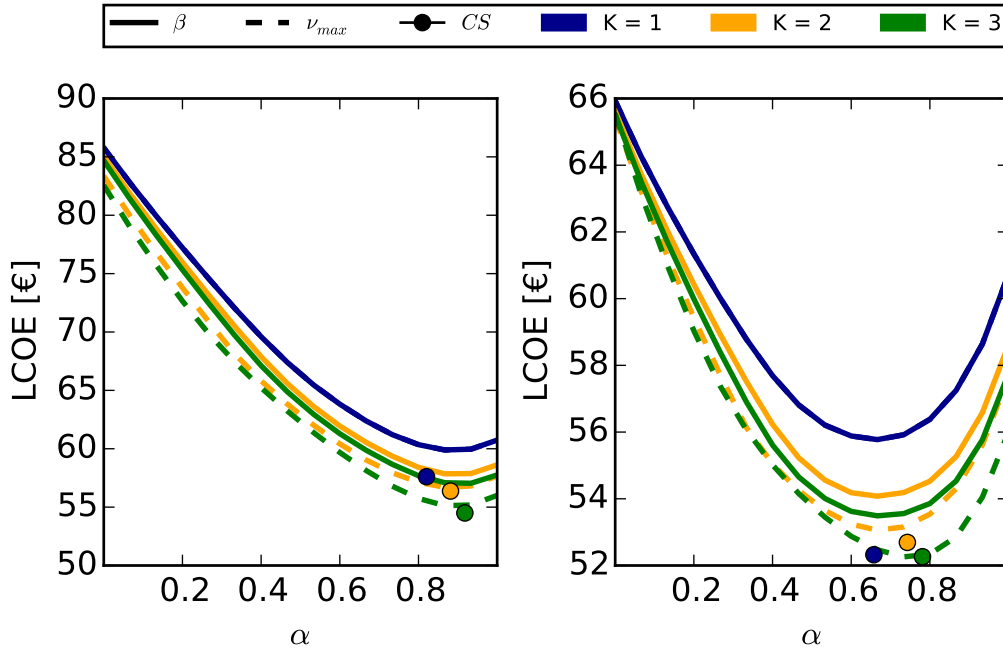


Figure 10: LCOE for different scalings of the solar cost. Shown are cost reductions by a factor of 2 (left) and 4 (right). From the figure, it is clear that for solar PV to be cost competitive to onshore wind, the cost must drop by a factor of  $\approx 2$ .

A reduction of the solar cost by a factor of 2 shifts the optimal mix from 1 to around 0.9 similar to the optimum for backup energy and backup capacity. The shift indicates that the energy production cost for solar PV is becoming competitive to onshore wind. At a cost reduction of a factor of 4, the optimal mix is shifted further to around 0.7, indicating that the energy production cost for solar PV is now lower than for onshore wind. The favouring of wind even when the production cost of solar PV is lower is a consequence of the strong diurnal pattern leading to high backup requirements. The exact  $\alpha$  values are listed in table 3.

Table 3: Alpha values for optimal layouts for different scalings of the solar cost. Shown are cost reductions by a factor of 2 (left) and 4 (right).

	K = 1	K = 2	K = 3		K = 1	K = 2	K = 3
$\beta$	0.87	0.93	0.93	$\beta$	0.67	0.67	0.67
$\nu_{max}$	0.87	0.87	0.87	$\nu_{max}$	0.67	0.67	0.73
CS	0.82	0.92	0.93	CS	0.68	0.78	0.81

#### 4.3. Offshore wind

In the previous discussion, wind was assumed to be onshore only. By January 2014, the total European onshore wind capacity was 120.8GW, while the offshore capacity was 8.0GW [17]. While these numbers confirm the onshore-only assumption to be reasonable at present, 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 is a significant increase in the LCOE since the cost of offshore wind is more than 100% higher compared to onshore wind due to foundation expenses along with increased maintenance costs. However, the capacity factors for offshore sites are generally significantly higher than for onshore sites as indicated by table 1.

An offshore component is introduced by splitting the wind component into an onshore and an offshore component,

$$\gamma^W = \gamma^{\text{OnW}} + \gamma^{\text{OffW}}, \quad (23)$$

for countries with suitable offshore regions. Explicitly these are: Denmark, Germany, Great Britain, Ireland, the Netherlands, France, Belgium, Norway and Sweden. Other countries retain onshore wind only. For simplicity, the magnitude of the offshore component is assigned by requiring that the offshore wind power generation accounts for a fixed share of the total wind power generation,

$$\text{offshore share} = \frac{\gamma^{\text{OffW}}}{\gamma}. \quad (24)$$

Cost details for optimized layouts with fixed offshore shares of 0%, 25% and 50% are shown in figure 11.

From figure 11 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 energy increases significantly, the cost of backup and transmission decreases slightly. The decrease is a consequence of the difference in

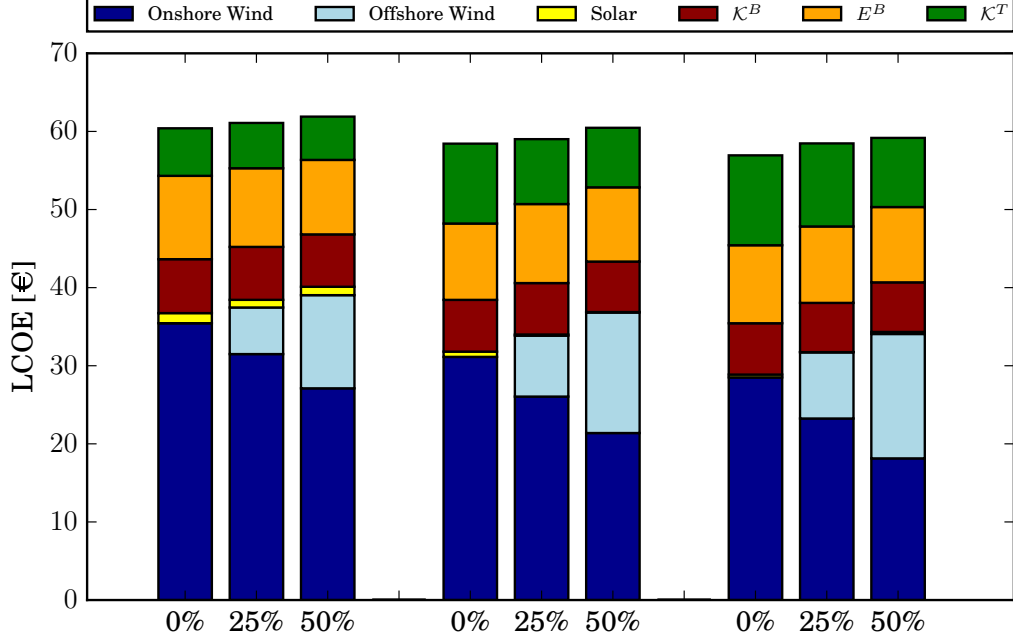


Figure 11: Cost details for the CS optimal layouts for  $K = 1$  (left), 2 (middle) and 3 (right) for offshore shares of 0%, 25% and 50%.

the temporal production pattern from onshore to offshore wind. In some time steps the onshore production is low while the offshore production is high. The introduction of an offshore component thus tends to smooth out the wind production time series. As a side effect, solar becomes less favourable as illustrated by figure 11. The CS optimized layouts for an offshore share of 50% are shown in figure 12.

## 5. Discussion and conclusions

The dependence on the layout of VRES of a number of key parameters along with the resulting LCOE has been investigated. It was found that the backup and transmission costs are significant, but 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. At a heterogeneity factor of  $K = 2$ , meaning that each country installs VRES capacities covering a minimum of 50% and maximum of 200% of their mean load, the LCOE can be lowered by almost 5% by choosing the heuristic  $\nu_{max}$  layout which maximises the overall capacity factor. Further reduction of the cost can be achieved by reducing backup and/or transmission costs. Using the cuckoo search algorithm, such a layout was found to reduce the LCOE by

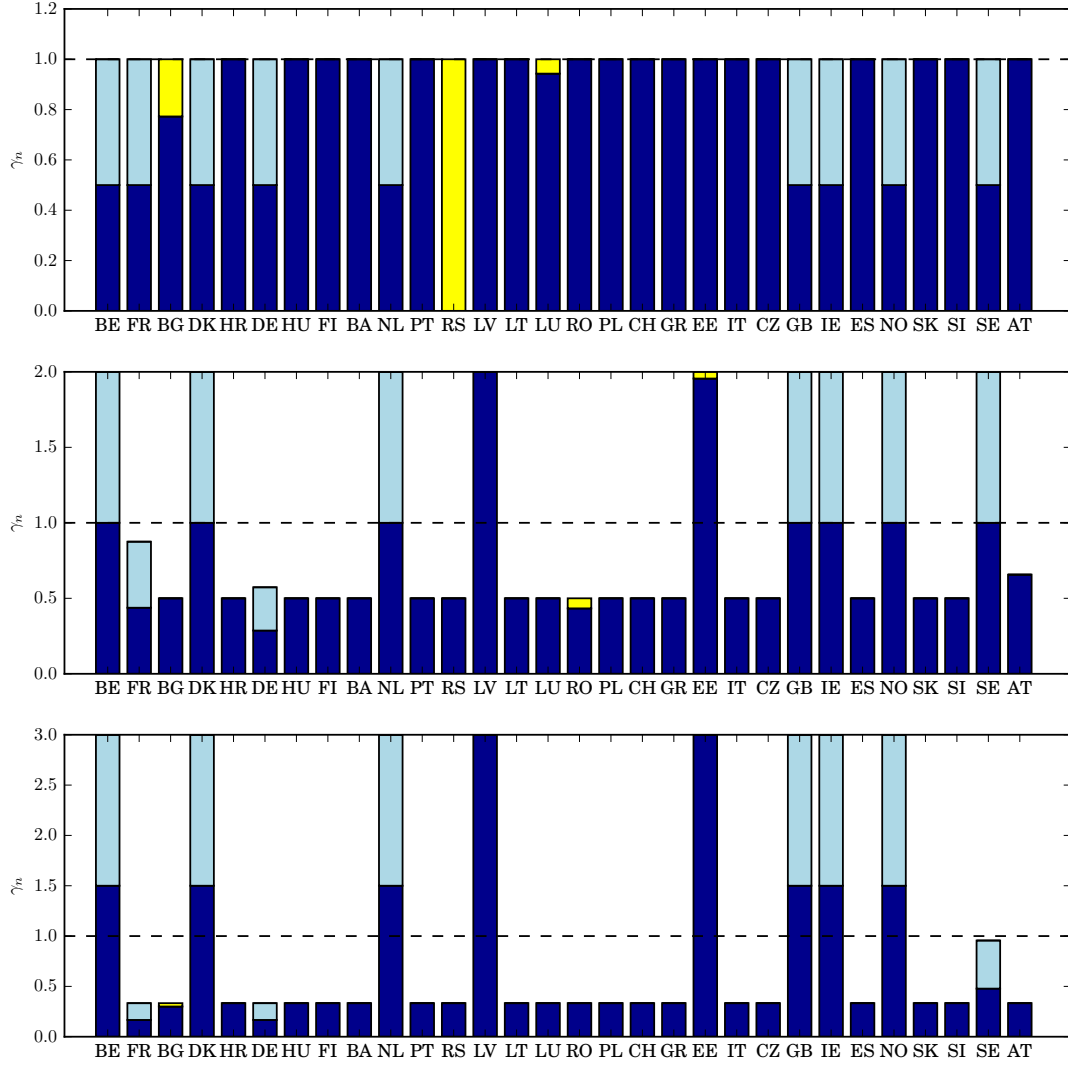


Figure 12: CS layouts constrained by  $K = 1$  (top),  $2$  (middle) and  $3$  (bottom) for an offshore share of 50% for Denmark, Germany, Great Britain, Ireland, Netherlands, France, Belgium, Norway and Sweden.

an additional 2%. While the additional cost reduction of 2% relies heavily on the current network structure, the primary cost reduction is of a more general nature. It can be attributed to the general tendency for the heterogeneous layouts to move wind capacities towards the North Sea countries (Denmark, Netherlands, Great Britain, Ireland, Norway, etc.). Since the wind resource quality is better than for the central and southern countries, the reallocation results in lower costs.

The cost reduction is a strong argument for a heterogeneous layout. How-

ever, the realisation might be a political challenge. Since the optimal placing of resources was derived from a system perspective, a realisation would require full collaboration from all countries. Countries with low capacity factors would no longer be self sufficient, and they would be forced to invest in foreign capacities. Convincing countries to let go of the independence of their electricity system and to move capital abroad might require some political effort. On the other hand, locating sufficient sites for onshore wind in the North Sea countries might very well pose a challenge too.

The cost optimal layouts considered in this paper are almost exclusively based on wind. The reason is that onshore wind is significantly cheaper than solar, partly due to lower capital expenses, partly due to lower capacity factor. It was found that the cost of solar must decrease by a factor of  $\approx 2$  for a significant solar component to become profitable. Besides lowering the capital expenses, the solar cost could also be lowered by increasing the capacity factor. Based on data from [4], the capacity factor can be increased by  $\approx 40\%$  by applying dual axis tracking compared to the fixed position installation assumed in table 1. In addition, studies on increasing the energy conversion efficiency are still being conducted.

While the main analysis considered onshore wind only, the effect of introducing an offshore component was discussed briefly. Foundation expenses and increased maintenance costs makes offshore wind more expensive than onshore wind. Some of the additional expenses are compensated by higher offshore capacity factors along with a more stable temporal production pattern. In addition, the opposition from residents is usually lower than for onshore wind.

In conclusion, it was found that a heterogeneous layout with wind resources shifted towards the North Sea countries decreases the LCOE by around 5% compared to the homogeneous layout at the optimal mix. An additional reduction by 2% was possible by taking also transmission and backup costs into account.

The effect of integrating one or more storage elements in the electricity system has not been considered in this paper. Promising storage projects are already in the making, so by the time Europe reaches  $\gamma = 1$ , commercial large scale storage systems are presumably available. A natural extension of this paper would be to include various types of storage.

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#### *Appendix.1. Cuckoo search*

For notational convenience, a complete layout vector  $\mathbf{x}$  is constructed as  $x_1 = \gamma_1, \dots, x_N = \gamma_N, x_{N+1} = \alpha_1, \dots, x_{2N} = \alpha_N$ . The optimization objective is global minimization of the LCOE as a function of  $\mathbf{x}$ . The LCOE is a complicated function of the layout  $\mathbf{x}$  for which derivative information is not available. With 30 countries, the dimensionality of the problem is 60, and the search space thus large. Efficient global optimization within a large search space is a problem which has been successfully addressed by a number of Nature inspired meta heuristic algorithms. By imitating the best features in nature, these algorithms achieve a unique balance between intensification (search around the current best solution<sup>1</sup>) and diversification (exploration of the search space). Typical examples are genetic algorithms [18] and particle swarm optimization [19]. In this paper, a recent addition [20] to the family, cuckoo search (CS), has been applied.

Cuckoo birds practice an aggressive breeding behaviour where the female cuckoos lay their eggs in the nests of other birds. If the host bird discovers the alien egg, the egg is thrown away, or the nest is abandoned. To avoid this fate, some cuckoo species have specialized in mimicking the visual appearance of the egg of the host species [21]. In the CS algorithm, the cuckoo eggs represent solutions. The nest is simply a container holding one or more eggs. For simplicity, each nest will hold only one egg. The actual implementation differs slightly across the literature[20, 22, 23], but most implementations follow a common structure:

1. Initially, each of the  $X$  nests are populated by an egg selected randomly from within the solution space.
2. A fraction  $p$  of the eggs are discovered by the host bird and abandoned.
3. New eggs are generated and dropped into the nests. The receiving nest rejects the worse of the two eggs.

---

<sup>1</sup>In this section, the terms *layout* and *solution* are used interchangeably.



4. Step 2 and 3 are repeated until a user defined termination criteria is fulfilled.

Inspired by the flight pattern of fruit flies[24], new eggs are generated by Lévy flights. A Lévy flight is a random walk with the Markov property. The step size is drawn from the heavy-tailed Lévy distribution<sup>2</sup> with scale parameter  $c = 1$  and location parameter  $\mu = 0$ , a special case of the Lévy  $\alpha$ -stable distribution with stability parameter  $\alpha = 1/2$  and skewness parameter  $\beta = 1$ . The large tail causes occasional jumps ensuring efficient diversification. The Lévy distribution was generated using a general method for generation of Lévy  $\alpha$ -stable distributions[25].

In the CS implementation used in this paper, the eggs are split into bad eggs (the to-be-abandoned  $p$  fraction) and good eggs (the remaining  $1 - p$  fraction). The bad eggs are replaced immediately by new ones generated by Lévy flights starting from the old eggs. New trails eggs are generated by Lévy flights starting from the good eggs. Each trail egg is dropped into a random nest, and the receiving nest rejects the worse of the two eggs. A value of  $p$  around 0.75 gave the best performance. Mimicking of the host egg, approximated by the current best egg  $\mathbf{x}_{best}$ , is modelled by biasing the Lévy flight towards  $\mathbf{x}_{best}$ . In practice, the step size is scaled by a factor of  $(\mathbf{x}_{best} - \mathbf{x}_i)$ . The Lévy flight thus takes the form

$$\mathbf{x} \rightarrow \mathbf{x} + A(\mathbf{x}_{best} - \mathbf{x}) \text{Lévy}(z) \quad (.1)$$

where  $A$  denotes a problem specific scaling parameter. For most problems (the current included), a value  $A \approx 1$  is appropriate. It is possible that a solution generated by Lévy flight is outside the search space defined by equation (22) and the implicit constraint  $0 \leq \alpha_n \leq 1$ . In this case, any invalid value is shifted to the nearest boundary value: A value of  $\alpha_n = 1.1$  is changed to  $\alpha_n = 1.0$  while a value of  $\gamma_n = \frac{1}{K+2}$  is changed to  $\gamma_n = \frac{1}{K}$ .

When a solution is generated, the solution is renormalized by a linear scaling of the  $\gamma$  values such that

$$\sum_n \gamma_n \langle L_n \rangle = \langle L_{EU} \rangle \quad (.2)$$

is fulfilled. The renormalization might cause a violation of equation (22). In this case, the solution is rejected and a new one generated. This procedure is repeated until a valid solution is found.

---

<sup>2</sup>The original author and others[20, 22, 23] use a symmetric Lévy distribution ( $\beta = 0$ ). However, it was found that the algorithmic performance, at least for the problem at hand, was increased significantly by changing to an asymmetric distribution.

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**Algorithm 1** Pseudo code for the cuckoo search implementation. The *Evaluate* function evaluates egg costs. By passing an array of eggs to the *Evaluate* function, rather than evaluation the eggs one by one, parallel evaluation is possible. The *Sort* function sorts the eggs by cost in ascending order.

---

```

function CUCKOOSEARCH
     $nests \leftarrow X$  eggs selected randomly from within the solution space
    Evaluate( $nests$ )
    Sort( $nests$ )
     $bestNest \leftarrow nests[0]$ 
     $generation \leftarrow 0$ 
    while termination criteria not fulfilled do
        for index  $i$  of bad nests do
             $nests[i] \leftarrow$  levy flight starting from  $nests[i]$ 
        for index  $i$  of good nests do
             $trailEggs[i] \leftarrow$  levy flight starting from  $nests[i]$ 
        Evaluate( $nests$ )
        Evaluate( $trailEggs$ )
        for index  $i$  of  $trailEggs$  do
             $j \leftarrow$  index of a random nest
            if cost of  $nests[j] >$  cost of  $trailEggs[i]$  then
                 $nests[j] \leftarrow trailEggs[i]$ 
        Sort( $nests$ )
         $bestNest \leftarrow nests[0]$ 
         $generation \leftarrow generation + 1$ 
    return  $bestNest$ 

```

---

The termination criteria was chosen as a fixed number of iterations. In each iteration,  $X$  function evaluations are performed, each requiring a loop through the 32 year dataset solving a quadratic optimization problem at each time step. Therefore, a single function evaluation takes around 15 minutes on a standard laptop anno 2015. To decrease computation time, a single model year was used rather than the full 32 year data set.

Starting from a completely random population, it was found that around 50,000 function evaluations were required to reach a stable solution<sup>3</sup>. It is possible to decrease the required number of function evaluations by planting a best-guess solution in the initial population. The drawback of this approach

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<sup>3</sup>Non-biased optimizations and parameter tuning were performed excluding transmission costs to decrease computation time, see section 4.1 for details.

is the biasing of the search. Other, potentially better, solutions are less likely to be found due to the initial biasing. Starting from random populations, the stable points obtained for  $K = 1, 2, 3$  were all found to be very similar to the  $\nu_{max}$  solutions. This indicates that the  $\nu_{max}$  solution is probably close to the global optimum. Therefore, the final optimizations have been performed biased by the  $\nu_{max}$  solution effectively decreasing the number of required function evaluations by almost an order of magnitude. With these approximations, the computation time is decreased from  $\approx 1.5$  years to less than two days.

For the problem at hand, the performance of the CS algorithm turned out to be relatively insensitive to changes in  $A$ ,  $p$  and  $X$ . Values of  $A$  between 1 and 50 resulted in similar performance, while larger values of  $A$  caused a drop in performance, probably due to the average step size becoming too large. Likewise, values of  $p$  between 0.65 and 0.85 resulted in similar performance, while values outside this interval caused drops in performance. For  $X$ , the best performance was observed around a value of 50. Values below 25 and above 100 caused the algorithm to get stuck in local minima.