# Mid-Semester Memo

# Introduction

My code and some of my data are available on GitHub at <https://github.com/rmoglen/EnviroDev_Policy>.

# Locational Marginal Price (LMP) Prediction

ERCOT’s [2018 LTSA report](http://www.ercot.com/content/wcm/lists/144927/2018_LTSA_Report.pdf) was central in guiding my LMP predictions, specifically the data presented in its Figure I.1. Figure I.1 in the LSTA was generated by a survey of ERCOT stakeholders. They concluded that the key drivers for the ERCOT grid were Texas economic conditions, natural gas prices, capital costs for renewable energy, environmental regulations, and weather conditions, followed by several less significant drivers. Therefore, I selected natural gas prices, Texas GDP, and renewable energy capital costs as predictors in my model, along with year, load zone, season, and peak versus off peak timing. Table A in Appendix A summarizes the data I used in my model and their sources.

## Scenarios

ERCOT’s [2018 LTSA report](http://www.ercot.com/content/wcm/lists/144927/2018_LTSA_Report.pdf) also provided guidance on scenarios likely to impact the ERCOT grid and thus future prices. Two of the scenarios it discusses are (1) High Economic Growth and (2) High Renewable Penetration. My third scenario was (3) the Base Case. Forecasts for the next 20 years for all my predictors were available with the exception of renewables capital costs, which I extrapolated by fitting an exponential model to the available data.

(1) the Base Case was predicted using the available forecasts data from Table A. For (2) the High Economic Growth scenario, EIA provides its own predictions of natural gas prices under high economic growth, and ERCOT describes an annual Texas GDP increase of 2.2% rather than the 1.4% in the base case. Again, future LMPs were predicted using forecasts as predictors, this time with 2.2% GDP growth and High Economic Growth conditions gas prices in place of the base case numbers. For (3) the High Renewable Penetration, it was assumed that this adoption was driven by lower renewable energy costs, so forecasted renewable energy capital costs were multiplied by a discount factor (assumed to be 0.9). Future LMPs were once more predicted using the forecast data from Table A, with the substitution of the discounted renewable energy capital cost forecasts.

## Aggregation

Historical LMPs were aggregated by season (“summer” as April through October and “non-summer” as the rest of the year) and peak (hours 8 though 23 in the summer and 1 and 24 in the non-summer) and off-peak the rest of the time. This aggregation was done both because the financial models that will use the LMP predictions as inputs will likely not need a finer temporal resolution and because the forecast data available was generally only at 1 year temporal resolution, making finer prediction difficult and likely inaccurate. Historical LMPs in each of the time-categories (summer peak, summer off-peak, non-summer peak, and non-summer off-peak) were averaged by median value in that year, though other functions such as mean or max could be computed, depending on the requirements of downstream models. Therefore, my model predicts the median LMP in each load zone, each year from 2020-2039, in each of the four time-categories.

## Model

I used linear regression to fit a model to LMPs from 2011 to 2019. I then applied this model to 2020 to 2039 to predict future LMPs. My model is of the following form:

Since Category and LoadZone are both categorical variables, they were each broken up into N-1 dummy variables, where N is the number of unique values in that category. The resulting model is summarized in Appendix B.

# Life Cycle Analysis

## CCGT Analysis

The first step in the life cycle analysis of the CCGTs in both Houston in San Antonio was computing their respective capacity factors. Houston offers three candidate turbines, each with their respective heat rates, while the San Antonio site requires analysis of only one turbine. These sites and their respective options are summarized in Table 1 below. The capacity factor of each of these potential projects was assumed to be the average hypothetical capacity factor for the years 2011 to 2019, computed by comparing the turbine’s marginal cost to the LMP in the plant’s location. The capacity factor is the average percentage of time intervals where the LMP exceeds the turbine’s marginal cost. The marginal cost was computed using equation (1):

|  |  |
| --- | --- |
|  | (1) |

Then, the emissions rate was estimated by finding plants with a similar nameplate capacity in eGrid 2018 [2] as those presented in Table 1. For the Houston turbines, the sister plants in eGrid 2018 were the Hinds Energy Facility, the Brownville Combustion Turbine Plant, and Angus Anson respectively. For the San Antonio plant, the sister plant was Nueces Bay. The annual total emissions were then estimated using equation (2).

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | (1) |
|  | | | | | | | |  |
| Table 1: CCGT Life Cycle Analysis Emissions Rate | | | | | | | | |
| **Turbine** | **Location** | **Capacity Factor**  **(2011-2019)** | **Heat Rate (BTU/ kWh)** | **Capacity (MW)** | **NOx**  **(lb/MWh)** | **SO2**  **(lb/MWh)** | **CO2-eq**  **(lb/MWh)** | |
| GE 7FA.05 | Houston | 26.7% | 6800 | 600 | 0.076 | 0.004 | 821.096 | |
| Mitsubishi 501J | Houston | 31.4% | 6400 | 460 | 0.841 | 0.007 | 1377.176 | |
| Mitsubishi 501GAC | Houston | 34.4% | 6200 | 405 | 0.499 | 0.007 | 1465.011 | |
| GE 207FA.04 | San Antonio | 10.5% | 8840 [2] | 942 | 0.115 | 0.005 | 914.014 | |

# References

1. 7F.04 Gas Turbine. (2020). Retrieved 26 October 2020, from <https://www.ge.com/power/gas/gas-turbines/7f-04>
2. eGrid. (2018). Retrieved 26 October 2020, from <https://www.epa.gov/egrid/download-data>

# Appendix A: Data Sources

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| --- | --- | --- | --- | --- |
| Table A: Data Sources | | | | |
| **Name** | **Source** | **Notes** | **Date Range** | **Time Resolution Downloaded** |
| Historical SPP | [ERCOT](http://mis.ercot.com/misapp/GetReports.do?reportTypeId=13061&reportTitle=Historical%20RTM%20Load%20Zone%20and%20Hub%20Prices&showHTMLView=&mimicKey) |  | 2011-2019 | 15 minutes |
| Historical Temperature | [NOAA](https://www.ncdc.noaa.gov/cdo-web/datatools/lcd) | Houston Airport | 2011-2020 | 1 hour |
| Temperature Forecasts | [USGS](http://regclim.coas.oregonstate.edu/visualization/rccv/states-counties/) | Texas-wide Used, Mean Model Used | 2020-2099 | 10 years |
| US Natural Gas Price Forecasts | [EIA](https://www.eia.gov/outlooks/aeo/data/browser/#/?id=13-AEO2018&cases=ref2018&sourcekey=0) | Industrial Used | 2016-2050 | 1 year |
| Historical US Natural Gas Price | [EIA](https://www.eia.gov/dnav/ng/hist/n3035us3A.htm) | Monthly available, Industrial Used | 1997-2019 | 1 year |
| Historical and Forecasted Peak and Annual Demand | [ERCOT](http://www.ercot.com/content/wcm/lists/114580/2017_Long-Term_Hourly_Peak_Demand_and_Energy_Forecast.pdf) | Extrapolate for 2027-2039, not yet included in model | 2007-2026 | 1 year |
| Historical Texas GDP | [US Bureau of Economic Development](https://fred.stlouisfed.org/series/TXNGSP) |  | 1997-2019 | 1 year |
| Texas GDP Forecasts | [ERCOT](http://www.ercot.com/content/wcm/lists/144927/2018_LTSA_Report.pdf) | Growth rate applied to 2019 GDP | 1.4% growth (normal), 2.2% (high) | 1 year |
| Capacity-Weighted Average Renewable Costs | [EIA](https://www.eia.gov/electricity/generatorcosts/) | Extrapolate exponentially for years outside range, past and future | 2013-2018 | 1 year |

# Appendix B: LMP Model Summary

Coefficients:

Estimate Std. Error t value Pr(>|t|)

(Intercept) 3.103e+03 3.747e+02 8.281 1.20e-15 \*\*\*

Year -1.550e+00 1.866e-01 -8.308 9.79e-16 \*\*\*

categorynon-summer peak -2.368e+00 1.632e-01 -14.510 < 2e-16 \*\*\*

categorysummer off-peak -1.913e+00 1.632e-01 -11.723 < 2e-16 \*\*\*

categorysummer peak 5.843e+00 1.632e-01 35.808 < 2e-16 \*\*\*

ZoneHB\_HOUSTON 5.061e-01 3.065e-01 1.651 0.099325 .

ZoneHB\_HUBAVG -5.944e-02 3.065e-01 -0.194 0.846296

ZoneHB\_NORTH 4.819e-02 3.065e-01 0.157 0.875117

ZoneHB\_PAN -2.310e+00 6.970e-01 -3.314 0.000988 \*\*\*

ZoneHB\_SOUTH 2.040e-01 3.065e-01 0.666 0.505928

ZoneHB\_WEST -4.525e-01 3.065e-01 -1.476 0.140490

ZoneLZ\_AEN 2.593e-01 3.065e-01 0.846 0.397947

ZoneLZ\_CPS 4.303e-01 3.065e-01 1.404 0.160996

ZoneLZ\_HOUSTON 5.972e-01 3.065e-01 1.949 0.051923 .

ZoneLZ\_LCRA 2.594e-01 3.065e-01 0.846 0.397694

ZoneLZ\_NORTH 1.503e-01 3.065e-01 0.490 0.624133

ZoneLZ\_RAYBN 2.969e-01 3.065e-01 0.969 0.333104

ZoneLZ\_SOUTH 3.749e-01 3.065e-01 1.223 0.221898

ZoneLZ\_WEST 5.083e-01 3.065e-01 1.659 0.097853 .

NG\_Price 4.700e+00 1.332e-01 35.297 < 2e-16 \*\*\*

GDP 1.360e-05 2.199e-06 6.187 1.31e-09 \*\*\*

Solar\_PV\_Cost -1.857e-03 3.694e-04 -5.028 6.99e-07 \*\*\*

Onshore\_Wind\_Cost 3.491e-03 1.456e-03 2.397 0.016901 \*

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Signif. codes: 0 ‘\*\*\*’ 0.001 ‘\*\*’ 0.01 ‘\*’ 0.05 ‘.’ 0.1 ‘ ’ 1