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Learning to Trade Power

by

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This thesis is the result of the author's original research. It has been composed by the author and has not been previously submitted for examination which has led to the award of a degree.

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Abstract

In Electrical Power Engineering, learning algorithms can be used to model the strategies of electricity market participants. The objective of this work is to establish if *policy gradient* reinforcement learning methods can provide superior participant models than previously applied *value function based* methods.

Supply of electricity involves technology, money, people, natural resources and the environment. All of these aspects are changing and electricity market designs must be suitably researched to ensure that they are fit for purpose. In this thesis electricity markets are modelled as non-linear constrained optimisation problems that are solved with a primal-dual interior point method. Policy gradient reinforcement learning algorithms are used to adjust the parameters of multi-layer feed-forward neural networks that approximate each market participant's policy for selecting power quantities and prices that are offered in a simulated marketplace.

Traditional reinforcement learning methods that learn a value function have been previously applied in simulated electricity trade, but are largely restricted to discrete representations of a market environment. Policy gradient methods have been proven to offer convergence guarantees in continuous environments, such as in robotic control applications, and avoid many of the problems that mar value function based methods.

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Chapter 4

Modelling Power Trade

This chapter defines the model used in chapters 5 and 6 to simulate electric power trade and to compare learning algorithms. The first section describes how optimal power flow solutions are used to clear offers submitted to a simulated power exchange auction. The second section defines how market participants are modelled as agents that use the reinforcement learning algorithms to adjust their bidding behaviour. It explains the modular structure of a multi-agent system that coordinates interactions between the auction model and market participants.

4.1 Electricity Market Model

A power exchange auction market, based on SmartMarket by Zimmerman (2010, p.92), is used in this thesis to provide a trading environment for comparing reinforcement learning algorithms. In each trading period the auction accepts offers to sell blocks of power from participating agents[1]. A clearing process begins by withholding offers above the price cap, along with those specifying non-positive quantities. Valid offers for each generator are sorted into non-decreasing order with respect to price and converted into corresponding generator capacities and piecewise linear cost functions (See Section 4.1.1 below). The newly configured units form an optimal power flow problem, the solution to which provides generator set-points and nodal marginal prices that are used to determine the proportion of each offer block that is cleared and the associated clearing price. The cleared offers determine each agent's revenue and hence the profit that is used as a reward signal.

A nodal marginal pricing scheme is used in which the price of each offer is

[1] A double-sided auction, in which bids to buy blocks of power may be submitted by agents associated with dispatchable loads, has also been implemented, but this feature is not used.

cleared at the value of the Lagrangian multiplier on the power balance constraint for the bus at which the offer's generator is connected. An alternative a discriminatory pricing scheme may be used in which offers are cleared at the price at which they were submitted (pay-as-bid). The advanced auction types from MATPOWER that scale nodal marginal prices are not used.

4.1.1 Optimal Power Flow

Bespoke implementations of the optimal power flow formulations from MATPOWER are used in the auction clearing process. Both the DC and AC formulations are used in this thesis.

The trade-offs between DC and AC formulations have been examined by Overbye, Cheng, and Sun (2004). DC models were found suitable for most nodal marginal price calculations and are considerably less computationally expensive. The AC optimal power flow formulation is used in this thesis to examine the exploitation of voltage constraints, which are not part of the DC formulation.

As in MATPOWER, generator active power, and optionally reactive power, output costs may be defined by convex n-segment piecewise linear cost functions

$$c^{(i)}(p) = m_i p + b_i \tag{4.1}$$

where p is the generator set-point for $p_i \leq p \leq p_{i+1}$ with $i = 1, 2, \ldots n$, m_i is the variable cost for segment i in \$/MWh where $m_{i+1} \geq m_i$ and $p_{i+1} > p_i$, and b_i is the y-intercept in \$ for segment i. Offers submitted to the market are converted into a piecewise linear cost function for the associated generator. Since these cost functions are non-differentiable, the constrained cost variable approach from H. Wang, Murillo-Sanchez, Zimmerman, and Thomas (2007) is used to make the optimisation problem smooth. For each generator j a helper cost variable y_j is added to the vector of optimisation variables. Figure 2.4 illustrates how the additional inequality constraints

$$y_j \geq m_{j,i}(p - p_i) + c_i, \quad i = 1 \ldots n \tag{4.2}$$

ensure that y_j lies on or above $c^{(i)}(p)$ (Zimmerman, 2010, Figure5-3). The objective function for the optimal power flow formulation used in the auction clearing process is the minimisation of the sum of cost variables for all generators:

$$\min_{\theta, V_m, P_g, Q_g, y} \sum_{j=1}^{n_g} y_j \tag{4.3}$$

The extended optimal power flow formulations from MATPOWER with user-defined cost functions and generator P-Q capability curves are not used.

4.1.2 Unit De-commitment

The optimal power flow formulations constrain generator set-points between upper and lower power limits. The output of expensive generators can be reduced to the lower limit, but they can not be completely shutdown. The online status of generators could be added to the vector of optimisation variables, but being Boolean the problems would become mixed-integer non-linear programs which are typically very difficult to solve.

To compute a least cost commitment and dispatch the unit de-commitment algorithm from Zimmerman (2010, p.57) is used. The algorithm involves shutting down the most expensive units until the minimum generation capacity is less than the total load capacity and then solving repeated optimal power flow problems with candidate generating units, that are at their minimum active power limit, deactivated. The lowest cost solution is returned when no further improvement can be made and no candidate generators remain.

4.2 Multi-Agent System

Market participants are modelled with software agents from PyBrain that use reinforcement learning algorithms to adjust their behaviour (Schaul et al., 2010). Their interaction with the market is coordinated in multi-agent simulations, the structure of which is derived from PyBrain's single player design.

This section describes discrete and continuous market environments, agent tasks and modules that are used for policy function approximation and storing state-action values or action propensities. The process by which each agent's policy is updated by a learning algorithm is explained and the sequence of interactions between multiple agents and the market is described and illustrated.

4.2.1 Market Environment

Each agent has a portfolio of n_g generators associated their environment. Figure **??** illustrates the association and how the environment references an instance of the auction market for offer submission. Each environment is responsible for (i) returning a vector representation of its current state and (ii) accepting an action vector which transforms the environment into a new state. To facilitate testing of value function based and policy gradient learning methods, both discrete and continuous representations of an electric power trading environment are defined.

Discrete Market Environment

For agents operating learning methods that make use of look-up tables an environment with n_s discrete states and n_a discrete action possibilities is defined. The environment produces a state s, where $s \in \mathbb{Z}^+$ and $0 \leq s < n_s$, at each simulation step and accepts an action a, where $a \in \mathbb{Z}^+$ and $0 \leq a < n_a$.

To keep the size of the state space reasonable, the state is derived only from the total system demand $d = \sum P_d$. Each simulation episode of n_t steps has a demand profile vector u of length n_t, where $0 \leq u_i \leq 1$. The load at each bus $P_{dt} = u_t P_{d0}$ in simulation period t, where P_{d0} is the initial demand vector. The state size $d_s = d(\max u - \min u)/n_s$ and the state space vector is $\mathcal{S} = d_s i$ for $i = 1 \dots n_s$. At simulation step t, the state returned by the environment $s_t = i$ if $\mathcal{S}_i \leq P_{dt} \leq \mathcal{S}_{i+1}$ for $i = 0 \dots n_s$. Informally, the state space is n_s states between the minimum and maximum demand and the current state for the environment is the index of the state to which the current demand relates.

a	m_1	m_2	w_1	w_2
0	0	0	0	0
1	0	10	0	0
2	0	20	0	0
3	10	0	0	0
4	10	10	0	0
5	10	20	0	0
6	20	0	0	0
7	20	10	0	0
8	20	20	0	0

Table 4.1: Example discrete action domain.

The action space for a discrete environment is defined by a vector m, where $0 \leq m_i \leq 100$, of percentage markups on marginal cost with length n_m, a vector w, where $0 \leq w_i \leq 100$, of percentage capacity withholds with length n_w and the number of offers n_o, where $n_o \in \mathbb{Z}^+$, to be submitted for each generator associated with the environment.

A $n_a \times 2n_g n_o$ matrix that contains all permutations of markup and withhold for each offer that is to be submitted for each generator is computed. For example, Table 4.1 shows all possible actions when markups are restricted to 0, 10% or 20% and 0% of capacity may be withheld from two generators with one offer submitted for each. Each row corresponds to an action and the column values specify the percentage price markup and the percentage of capacity to be withheld for each of the $n_g n_o$ offers. The size of the permutation matrix grows rapidly as n_o, n_g, n_m and n_w increase.

Continuous Market Environment

A continuous market environment that outputs a state vector s, where $s_i \in \mathbb{R}$, and accepts an action vector a, where $a_i \in \mathbb{R}$, is defined for agents operating policy gradient methods. Scalar variables m_{max} and w_{max} define the maximum allowable percentage markup on marginal cost and the maximum allowable percentage of capacity that can be withheld, respectively. Again, n_o defines the number of offers to be submitted for each generator associated with the environment.

The state vector may consist of any data from the power system or market model. For example: bus voltages, branch power flows, generator limit Lagrangian multipliers etc. Each element of the vector provides one input to the neural network used for policy function approximation.

The action vector a has length $2n_g n_o$. Element a_i, where $0 \leq a_i \leq m_{max}$, corresponds to the price markup and a_{i+1}, where $0 \leq a_{i+1} \leq w_{max}$, to the withhold of capacity for the $(i/2)^{th}$ offer, where $i = 0, 2, 4, \ldots, 2n_g n_o$.

Not having to discretize the state space and compute a matrix of action permutations greatly simplifies the implementation of a continuous environment and increases in n_g and n_o only impact the number of output nodes in the policy function approximator.

4.2.2 Agent Task

To allow alternative goals, such a profit maximisation or the meeting some target level for plant utilisation, to be associated with a single type of environment, an agent does not interact directly with its environment, but is paired with a particular *task*. A task defines the reward returned to the agent and thus defines the agent's purpose.

For all simulations in this thesis the goal of each agent is to maximise financial profit. Rewards are defined as the sum of earnings from the previous period t as determined by the difference between revenue from cleared offers and marginal cost at the total cleared quantity. As explained in Section 3.4.1, utilising some measure of risk adjusted return might be of interest in the context of simulated electricity trade and this would simply involve the definition of a new task and would not require any modification of the environment.

Agents with policy-gradient learning methods approximate their policy functions using artificial neural networks that are presented with input vector v of length n_s where $v_i \in \mathbb{R}$. To condition the environment state before input to the connectionist system, where possible, a vector s_{min} of minimum sensor values and a vector s_{max} of maxmimum sensor values is defined. These are used to calculated a normalised state vector

$$v = 2\left(\frac{s - s_{min}}{s_{max} - s_{min}}\right) - 1 \tag{4.4}$$

where $-1 \leq v_i \leq 1$.

The output from the policy function approximator y is denormalized using vectors of minimum and maximum action limits, a_{min} and a_{max} respectively, to give an action vector

$$a = \left(\frac{y+1}{2}\right)(a_{max} - a_{min}) + a_{min} \tag{4.5}$$

with valid values for price markups and capacity withholding.

4.2.3 Market Participant Agent

Each agent is defined as an entity capable of producing an action a based on previous observations of its environment s. The UML class diagram in Figure **??** illustrates how each agent in PyBrain is associated with a *module*, a *learner* (variant Roth-Erev in the case of the diagram), a *dataset* and an *explorer*.

The module is used to determine the agent's policy for action selection and returns an action vector a_m when activated with observation s. When using value function based methods the module is a $n_s \times n_a$ table:

$$\begin{array}{c} \\ s_0 \\ s_1 \\ \\ s_{n_s} \end{array} \begin{array}{c} \begin{array}{cccc} a_0 & a_1 & \quad & a_{n_a} \end{array} \\ \begin{bmatrix} v_{0,0} & v_{0,1} & \cdots & v_{0,m} \\ v_{1,0} & \ddots & & \vdots \\ \vdots & & \ddots & \vdots \\ v_{n,0} & \cdots & \cdots & v_{n_s,n_a} \end{bmatrix} \end{array} \tag{4.6}$$

where each element $v_{i,j}$ is the value associated with selecting action j in state i. When using a policy gradient method, the module is a multi-layer feed-forward artificial neural network that outputs a vector a when presented with observation s.

The learner can be any reinforcement learning algorithm that modifies the values/parameters of the module to increase expected future reward. The dataset stores state-action-reward triples for each interaction between the agent and its environment. The stored history is used by value-function learners when computing updates to the table values. Policy gradient learners search directly in the space of the policy network parameters.

Each learner has an association with an explorer that returns an explorative action a_e when activated with the current state s and action a_m from the module.

4.2.4 Simulation Event Sequence

Each simulation consists of one or more task-agent pairs. Figure **??** shows the class associations for a simulation experiment. At the beginning of each simulation step (trading period) t the market is initialised and all existing offers are removed. Figure **??** is a UML sequence diagram that illustrates the process of choosing and performing an action. For each task-agent tuple an observation s_t is retrieved from the task and integrated into the agent. When an action is requested from the agent its module is activated with s_t and the action a_e is returned. Action a_e is performed on the environment associated with the agent's task.

When all actions have been performed the offers are cleared by the market using the solution to a newly formed optimal power flow problem. Figure **??** illustrates the reward precess that follows. The cleared offers associated with the generators in the task's environment are retrieved from the market and the reward r_t in \$ is computed from the difference between revenue and marginal cost at the total cleared quantity. For each generator in the agent's portfolio that was previously online and is not dispatched, a shutdown cost C_{down} is subtracted from the reward. The reward r_t is given to the associated agent and the value is stored, along with the previous state s_t and selected action a_e, under a new sample is the dataset.

The learning process is illustrated by the UML sequence diagram in Figure **??**. Each agent learns from its actions using r_t, at which point the values or parameters of the module associated with the agent are updated according to the output of the learner's algorithm. Each agent is then reset and the history of states, actions and rewards is cleared.

The combination of action, reward and learning processes for each agent constitutes one step of the simulation and they are repeated until a specified number of steps are complete.

4.3 Summary

The power exchange auction market model defined in this chapter provides a layer of abstraction over the underlying optimal power flow problem and presents agents with a simple interface for selling power. The modular nature of the simulation framework described allows the type of learning algorithm, policy function approximator, exploration technique or task to be easily changed. The framework can simulate competitive electric power trade using any conventional bus-branch power system model with little configuration, but provides the ability to adjust all of the main aspects of a simulation. The modular framework and its support for easy configuration is intended to allow transparent comparison of learning methods in the domain of electricity trade under a number of different scenarios.

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