

Average Reward Adjusted Deep Reinforcement Learning: Near-Blackwell-Optimal Policies for Order Release

Manuel Schneckenreither and Stefan Haeussler

Department of Information Systems, Production and Logistics Management,
University of Innsbruck, Austria

email: manuel.schneckenreither@uibk.ac.at, stefan.haeussler@uibk.ac.at

Abstract. An essential task in manufacturing planning and control is to determine when to release orders to the shop floor. One key parameter is the lead time which is the planned time that elapses between the release of an order and its completion. Lead times are normally determined based on the actual duration orders previously took to traverse through the production system (flow times). Traditional order release models assume static lead times, although it has been shown that they should be set dynamically to react the dynamic operational characteristics of the system. Therefore, we present an order release model which sets lead times dynamically by using an reinforcement learning approach. Therefore, we provide an in-depth analysis of reinforcement learning to show that average reward reinforcement learning is a better approach for operations research applications as discounted reinforcement learning. Additionally we present an average reward reinforcement learning algorithm which infers near-Blackwell-optimal policies. We use a simulation model of a [MS: todo] two-stage flow-shop to compare the algorithm to well-known order release mechanisms. We show that in the current version our proposed model using reinforcement learning outperforms some, but not all other tested approaches.

Keywords: operations research, production planning, order release, machine learning, reinforcement learning

1 Introduction

An important goal in Manufacturing Planning and Control (MPC) systems is to achieve short and predictable flow times, especially where high flexibility in meeting customer demand is required. Besides achieving short flow times, one should also maintain high output and due-date performance while keeping the work-in-process level low. One approach to address this problem is to collect all incoming orders in an order-pool and periodically decide which orders to release to the shop floor. Once orders are released, costs start to accumulate as planned orders materialise as actual jobs in the production system. The main challenge is to find a good compromise of balancing the shop floor and timely completion

of jobs. Although the performance of such systems can be measured manifold the most overarching objective is to maximise profits by adequately assigning holding and lateness costs.

One of the key modeling parameters for order release mechanisms is the *lead time*, which refers to the planned time that elapses between the release of an order and its arrival in the finished goods inventory. This planning parameter is often based on the observable time an order needs to traverse the production system, which in contrast is denoted as the *flow time*. Flow times consist of processing, setup, control, transport, and waiting times, whereas the latter is the governing factor (Zäpfel, 1982, p.223). Waiting times are a result from queuing (e.g. jobs queue before and after processing), depend heavily on the amount of jobs in the system (WIP) and thus are relatively difficult to estimate, which makes the setting of favorable lead times so difficult (e.g., Tatsiopoulos and Kingsman 1983; Wiendahl 1995). Most state-of-the-art order release mechanisms use static or fixed lead times to address the order release problem, and thus neglect the nonlinear relationship between resource utilisation and flow times, which is well known from practice and queuing theory (Pahl et al. 2007).

One way to address this nonlinear interaction effects is to set lead times dynamically. Intuitively the order release problem is solved by perfectly matching the lead times to the flow times, but the corresponding optimisation problem faces “sampling issues” meaning that the flow times depend on the lead times. An extreme scenario of this problem is the so called “lead time syndrome”, which describes a vicious cycle where increasing flow times perpetually inflate the lead times which leads to worse performance (see e.g., Knollmann and Windt 2013; Mather and Plossl 1978; Selcuk et al. 2006). Thus, setting lead times dynamically harbors optimisation potential (Hoyt, 1978), but may also substantially degrade the system performance. Schneckenreither et al. (2020) have established following categorisation of dynamic lead time management approaches:

- **Reactive lead time management** approaches set lead times by reacting on earlier flow times (e.g., Enns and Suwanruji 2004; Selcuk et al. 2006). Note that the forecast is always based on *past* data as the most recent system changes cannot be reflected by flow times until the corresponding orders arrive in the FGI, which might take several periods.
- **Proactive lead time management** may incorporate *past* data in conjunction with the *current* system state to set lead times (e.g., Bertrand 1983; Chung and Huang 2002). Put differently, these methods aim to find a function that provides lead times based on the current state of the production system and possibly information from the past.
- **Predictive lead time management** may not only incorporate *past* data and the *current* system state to set lead times, but also utilises the anticipated *future* system state to detect arising issues of future periods and react accordingly (e.g. Paternina-Arboleda and Das 2001; Schneckenreither 2019; Schneckenreither et al. 2020). Thus, it extends proactive lead time management from a flow time forecasting or simple lead time setting technique to a lead time management approach that integrates the future behaviour of the system

when setting lead times. This allows reasoning of the system dynamics, as for instance triggering the lead time system, and thus such an algorithm can react accordingly to find a more farsighted optimal lead time update.

We hypothesize that dynamic lead time management approaches need to aim for a predictive design in order to be able to compete with state-of-the-art order release methods from literature. However, there only exist three papers that propose a predictive lead time management algorithm in literature.

The first approach by Paternina-Arboleda and Das (2001) introduces a predictive order release model by using reinforcement learning in a single product, four-station serial flow line and compare its performance (WIP costs) with conventional order release policies (e.g., Kanban and CONWIP). The algorithm of Paternina-Arboleda and Das (2001) decides on whether or not to release an order after each system change, the completion of an operation of any order at any stage or a new order arrival, and assumes that any unsatisfied demand is lost. Thus, they use a continuous order release method although in practice order release decisions often need to be made on a periodical basis, e.g. daily (see Enns and Suwanruji 2004; Gelders and Van Wassenhove 1982). They outperform existing control policies with their tabular based reinforcement learning agent. Then, Schneckenreither (2019) use several different reinforcement learning algorithms to make periodic order release decisions for a flow shop production system. The algorithm directly sets lead times for each product type, which are then used to release the orders in the order pool. They show that their approach outperforms static order release mechanisms by yielding lower costs, lateness and standard deviation of lateness, but conclude that research using average reward reinforcement learning methods harbor optimisation potential for the order release problem. And finally, Schneckenreither et al. (2020) present a flow time estimation procedure to set lead times dynamically using an artificial neural network, which is used to forecast flow times. By implementing a rolling horizon order release simulation of the proceeding periods they lift their approach to a predictive lead time management approach, which is able to detect backorders of future periods and reacts by releasing orders earlier. Nonetheless, their method is unable to foresee the triggering of the lead time syndrome and therefore they introduce an upper lead time bound to prevent the negative effects of the lead time syndrome. Their model outperforms static and reactive lead time management approaches, especially for scenarios with high utilisation and high variability in processing times.

As reinforcement learning stems from dynamic programming the future system state is by design considered as a main driver of decision making in the current period. Its goal is to find the best stationary policy for a given problem. The advantage of reinforcement learning over dynamic programming is that (i) the problem space is explored by an agent and thus only expectantly interesting parts of the problem space need to be assessed and (ii) the knowledge (acquisition) of transition probabilities becomes unnecessary as the states are evaluated by consecutively observed states solely.

Over the past decades reinforcement learning has been applied to various problems, for which astonishing results have been reported. E.g. only recently Mnih et al. (2015) have presented a novel value-iteration reinforcement learning agent which exceeds human-level abilities in playing many classic Atari 2600 games (Bellemare et al., 2012). Further, Mnih et al. (2016) present improved results with asynchronous actor-critic reinforcement learning. Also games like Go (Silver et al., 2016) and Chess (Silver et al., 2017) have been mastered with superhuman performance by *tabula rasa* reinforcement learning agents. Furthermore, the method has also been applied in the setting of manufacturing system, e.g. to improve the ramp-up process (Doltsinis et al., 2012), in locally selecting appropriate dispatching rules (Wang and Usher, 2005; Zhang and Dietterich, 1995) or scheduling (Waschneck et al., 2018; Zhang and Dietterich, 1995). However, all these applications use discounted reinforcement learning and are either designed to investigate a rather simple MDP, e.g. by selecting heuristics instead of optimising the underlying problem itself, or by mapping the actual objective in a reward function that is approximately 0 on average over time. This is due to the fact that state value is largely composed of a term defined by the policies' average reward value (Blackwell, 1962; Miller and Veinott, 1969) which would otherwise dilute the state values and thus decrease the solution quality, as can for instance be observed in Schneckenreither and Haeussler (2019) and Gijbrecchts et al. (2018).

Therefore, most applications that incorporate and directly reflect costs or profit in the reward function use average reward reinforcement learning. Aydin and Öztemel (2000) use it in the setting of scheduling, while in a series of papers Mahadevan et al. investigated several problem domains starting with simple MDPs (Mahadevan, 1996b,c). After these foundational works for average reward reinforcement learning they introduced a continuous time average reward reinforcement learning algorithm named SMART (Mahadevan et al., 1997). Applications of SMART reach from the optimisation of queuing systems (Mahadevan, 1996a,d), maintenance of an inventory system (Das et al., 1999) to optimising transfer line in terms of maximizing demand, while keeping inventory levels of unfinished product as low as possible (Mahadevan and Theocharous, 1998). However, in practise usually decision have to be made on a daily basis (Enns and Suwanruji, 2004; Gelders and Van Wassenhove, 1982). Therefore, we refrain from this adaption and concentrate on standard MDPs only. Furthermore, often continuous-time semi-MDP problems can be converted through uniformisation into equivalent discrete time instances (see Bertsekas et al., 1995; Puterman, 1994).

Like discounted reinforcement learning also average reward reinforcement learning is based on an oracle function, in our case the accumulated costs of a period, to assess the decisions taken by the agent. By repeatedly choosing different actions the agent examines the problem space and rates possible actions for any observed state. The advantage of average reward reinforcement learning over the widely applied discounted reinforcement learning framework is that the underlying optimisation technique is able to find better policies. This yields from

the fact that in standard discounted reinforcement learning method the states are assessed independently and by a single value. To be more precise, average reward reinforcement learning splits up the evaluation of the average reward per step, a bias value that specifies the amount of collected rewards to reach the optimal path when starting in a suboptimal state and an error term which defines the number of steps to reach the optimal path (Howard, 1964; Mahadevan, 1996b; Puterman, 1994). In contrast to that in the standard discounted framework one single scalar value consisting of the addition of these subterms is estimated, where however the average reward is scaled by $1/(1-\gamma)$. The discount factor γ is usually set very close to 1, e.g. 0.99, which leads to the fact that this subterm dominates the other two. Further, in commonly applied unichain (and thus ergodic) MDPs the average reward per step is equal for all states. Thus, independently assessing it is not only computationally unwisely, but also problematic when iteratively annealed as done in reinforcement learning. Therefore, we adapt an algorithm that uses a scalar value for the estimation of the average reward over all states, and estimates for every state-action pair that incorporate the bias and error term. The later values are adjusted by the average reward.

Thus, as opposed to the commonly applied discounted reinforcement learning algorithm we use an average reward adjusted reinforcement learning algorithm to adaptively release orders based on the assessed state values of the production system. In contrast to the aforementioned works on average reward reinforcement learning our algorithm incorporates the optimisation of not only the average reward over time, but also the bias values, which is an important adaption in highly stochastic systems. Only the work by Mahadevan (1996a) integrates this second-level refinement optimisation. However, their algorithm requires the selection of a reference state to prevent an infinite increase of state values. This results from the lack of feedback in the iterative process of optimising the different refinement optimisation levels. Furthermore, they assess the average reward independently for each state.

In summary, we propose a novel average reward adjusted reinforcement learning algorithm to assess orders for their release to the shop floor. This is the first average reward adjusted reward learning algorithm that operates using a artificial neural network as function approximation. To ensure scalability we adapt a multi-agent approach, where each agent optimises the lead time management of a single product type. The agents do so by assessing the expected costs for the possible releases imposed by adapting the lead time. According to the learned estimates each agent sets a planned lead time for the corresponding product type and with that releases orders into the production system. The highly optimised value-iteration algorithm uses improved n-step reinforcement learning with small action-based replay memories and worker agents to infer order release policies which outperform [MS: todo] .

Structure. The rest of the paper is structured as follows. The next section introduced average reward reinforcement learning and presents the used algorithm (see also Schneckenreither 2020). Section 3 describes the simulation model we use to evaluate the approach. [MS: todo]

2 Average Reward Adjusted Reinforcement Learning

This section briefly reintroduces the most important concepts of average reward adjusted reinforcement learning, elaborates on optimality criteria and provides insights of the underlying algorithm. For a more extensive introduction to average reward reinforcement learning we refer to Schneckenreither (2020).

Like Miller and Veinott (1969) we are considering problems that are observed in a sequence of points in time labeled $1, 2, \dots$ and can be modelled using a finite set of states \mathcal{S} , labelled $1, 2, \dots, |\mathcal{S}|$, where the size $|\mathcal{S}|$ is the number of elements in \mathcal{S} . At each point t in time the system is in a state $s_t \in \mathcal{S}$. Further, by choosing an action a_t of a finite set of possible actions A_s the system returns a reward $r_t = r(s_t, a_t)$ and transitions to another state $s_{t+1} \in \mathcal{S}$ at time $t + 1$ with conditional probability $p(s_{t+1}, r_t \mid s_t, a_t)$. That is we assume that reaching state s_{t+1} from state s_t with reward r_t depends solely on the previous state s_t and chosen action a_t . In other words, we expect the system to possess the Markov property (Sutton et al., 1998, p.63). Reinforcement learning processes that possess the Markov property are referred to as Markov decision processes (MDPs) (Sutton et al., 1998, p.66).

Thus, the action space is defined as $F = \times_{s=1}^{|\mathcal{S}|} A_s$, where A_s is a finite set of possible actions. A *policy* is a sequence $\pi = (f_1, f_2, \dots)$ of elements $f_t \in F$. Using the policy π means that if the system is in state s at time t the action $f_t(s)$, i.e. the s -th component of f_t , is chosen. A stationary policy $\pi = (f, f, \dots)$ does not depend on time. In the sequel we are concerned with stationary policies only.

2.1 Discounted Reinforcement Learning

In the widely applied discounted framework the value of a state $V_\gamma^{\pi_\gamma}(s)$ is defined as the expected discounted sum of rewards under the stationary policy π_γ when starting in state s . Note that the policy π_γ depends on the selected discount factor. That is

$$V_\gamma^{\pi_\gamma}(s) = \lim_{N \rightarrow \infty} \mathbb{E} \left[\sum_{t=0}^{N-1} \gamma^t R_t^{\pi_\gamma}(s) \right],$$

where $0 \leq \gamma < 1$ is the discount factor and $R_t^\pi(s) = \mathbb{E}_\pi[r(s_t, a_t) \mid s_t = s, a_t = a]$ the reward received at time t upon starting in state s by following policy π (Mahadevan, 1996b). The aim in the discounted framework is to find an optimal policy π_γ^* , which when followed, maximises the state value for all states s as compared to any other policy π_γ : $V_\gamma^{\pi_\gamma^*} - V_\gamma^{\pi_\gamma} \geq 0$. This criteria is usually referred to as γ -optimality as the discount factor γ is fixed. However, this also means that the actual value set for γ determines the best achievable policy. For instance, as can be seen in Figure 1 setting $\gamma < 0.8027$ the printer-loop is preferred over the mail-loop, although the mail-loop accumulates more reward over time, i.e. selecting the mail-loop is a sub-optimal choice. Observe

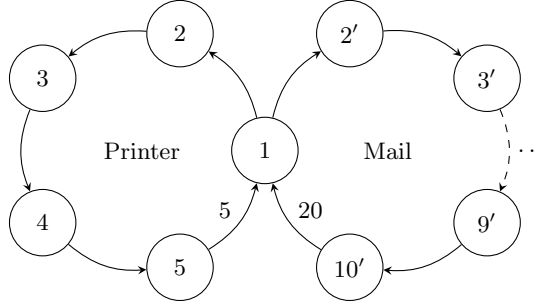


Fig. 1: A MDP with a single action choice in state 1, i.e. two different deterministic policies (Mahadevan, 1996c, adapted).

that the average reward received per step equals 1 for the printer-loop and 2 for the mail-loop. Thus, the (Blackwell-)optimal policy is to choose the mail-loop. However, if $\gamma < 3^{-\frac{1}{5}} \approx 0.8027$ an agent using discounted reinforcement learning chooses the printer loop as going the printer loop has a higher evaluation.

Therefore, in the seek of a more general optimality criteria for determining the best stationary policy π for a given problem, we introduce n -discount-optimality.

Definition 1 (n -Discount-Optimality). Due to Veinott (1969) for a MDP a policy π^* is n -discount-optimal for $n = -1, 0, 1, \dots$ for all states $s \in \mathcal{S}$ with discount factor γ if and only if

$$\lim_{\gamma \rightarrow 1} (1 - \gamma)^{-n} (V_{\gamma}^{\pi^*}(s) - V_{\gamma}^{\pi}(s)) \geq 0.$$

Only if a policy is n -discount-optimal for all $n < m$ it can be m -discount optimal (Puterman, 1994; Veinott, 1969). If a policy is ∞ -discount-optimal then it is said to be Blackwell-optimal (Blackwell, 1962). That is, for Blackwell-optimal policies π^* there exists a discount factor $\gamma^* < 1$ such that $V_{\gamma}^{\pi^*}(s) \geq V_{\gamma}^{\pi}(s)$ for all $\gamma \geq \gamma^*$ and under all policies π (Blackwell, 1962; Mahadevan, 1996d). Informally that means there exists a discount factor $\gamma < 1$ which finds Blackwell-optimal policies. However, (i) in more complex, i.e. real world, MDPs this value can be arbitrary close to 1 and (ii) the difference in state values may be very small, which (iii) due to the need of state value function approximation likely causes errors when choosing among different actions in the discounted framework.

The Bellman Equation defined as $V_{\gamma}^{\pi}(s) = \mathbb{E}_{\pi}[r + \gamma V_{\gamma}^{\pi}(s')]$ (see e.g. Sutton et al., 1998, p.70) provides a way to assess the state values using two consecutively observed states s, s' and the observed reward r returned by the system. When this formula is used as an update rule it provides an algorithm that converges the state values by iteratively adapting the state value estimates. There are four major issues with discounted RL, which results in the fact that it is inapplicable for many problems of operations research.

1. Standard discounted RL can only infer suboptimal policies as the discount factor is strictly less than one, i.e. $\gamma < 1$.

2. It is very difficult to specify a desired balance between the short-term and long-term (average reward) rewards. This results from the fact that the long-term rewards are scaled exponentially, where the factor depends on the chosen γ value.
3. Episodic MDPs with an average reward per step that is non-zero cannot be solved, as the average reward is ignored in the terminal states.
4. The average reward is independently assessed for each state, even though it is the dominating part for all state values and thus is shared between more than one or, for unichain MDPs, even all states. This usually leads to an exponentially increased number of learning steps required for policies to converge.

Especially due to the fourth issue standard discounted RL is not well applicable in the operations research domain. This mainly results from the fact that a continuous assessing of the state values using costs or profit is often required, which leads to intractable long learning phases with high exploration rate even for small sized problems. But as high exploration rates produce errors in the state value estimations (Miller and Veinott, 1969) finding a well working parameterisation is difficult. Average reward reinforcement learning overcomes these issues by separately assessing addends of the state values.

2.2 Average Reward Reinforcement Learning

Due to Howard (1964) the average reward $\rho^\pi(s)$ of a policy π and a starting state s is defined as

$$\rho^\pi(s) = \lim_{N \rightarrow \infty} \frac{\mathbb{E}[\sum_{t=0}^{N-1} R_t^\pi(s)]}{N}.$$

In the common case of unichain MDPs, in which only a single set of recurrent states exists, the average reward $\rho^\pi(s)$ is equal for all states s (Mahadevan, 1996b; Puterman, 1994). In the sequel we focus on unichain MDPs in this work and thus may simply refer to it as ρ^π . A policy π^* that maximises the average reward $\rho^{\pi^*}(s) - \rho^\pi(s) \geq 0$ in every state s as compared to any other policy π is called gain-optimal. Mahadevan (1996a) shows that n -discount-optimality for $n = -1$ describes gain-optimality.

Further, for an unichain aperiodic¹ MDP problem, such as ergodic MDPs are, the average adjusted sum of rewards or bias value is defined as

$$V^\pi(s) = \lim_{N \rightarrow \infty} \mathbb{E}\left[\sum_{t=0}^{N-1} (R_t^\pi(s) - \rho^\pi)\right],$$

where again $R_t^\pi(s)$ is the reward received at time t , starting in state s and following policy π . Note that the bias values are bounded due to the subtraction

¹ In the periodic case the Cesaro limit of degree 1 is required to ensure stationary state transition probabilities and thus stationary bias values (Puterman, 1994). Therefore to ease readability we concentrate on unichain and aperiodic MDPs.

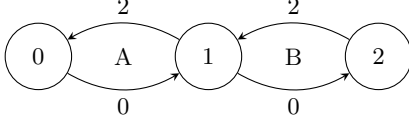


Fig. 2: A MDP with two gain-optimal deterministic policies, π_A going left in 1 is also bias-optimal, while π_B is not (Adapted from Mahadevan, 1996b).

of the average reward. Thus the bias value can be seen as the rewards that additionally sum up in case the process starts in state s . A policy π^* that is gain-optimal is also bias-optimal, if it maximises the bias values $V^{\pi^*}(s) - V^\pi(s) \geq 0$ in every state s and compared to every other policy π . Bias-optimality is given by setting $n = 0$ in the definition of n -discount-optimality (Mahadevan, 1996a).

Especially for highly probabilistic systems bias-optimality is important. To clarify this consider Figure 2 which again consists of two possible deterministic policies with the only choice in state 1. Both policies have the same average reward of 1. However, only taking the A loop is bias-optimal, as its policy π_A leads to bias values $V^{\pi_A}(1) = 0.5$, $V^{\pi_A}(0) = -0.5$ and $V^{\pi_A}(2) = 1.5$, while policy π_B which selects the B loop generates bias values $V^{\pi_B}(1) = -0.5$, $V^{\pi_B}(0) = -1.5$ and $V^{\pi_B}(2) = 0.5$. This yields from the fact that the actions with non-zero rewards are selected earlier in policy π_A . Consider starting in state 1. Under the policy π_A the reward sequence is $(2, 0, 2, 0, \dots)$, while for the other policy π_B it is $(0, 2, 0, 2, \dots)$.

2.3 The Laurent Series Expansion of Discounted State Values

Miller and Veinott (1969) established the link between discounted RL state values $V_\gamma^\pi(s)$ and average reward RL values $\rho^\pi(s)$ and $V^\pi(s)$ using the Laurent series expansion as

$$V_\gamma^\pi(s) = \frac{\rho^\pi(s)}{1 - \gamma} + V^\pi(s) + e_\gamma^\pi(s),$$

where the error term $e_\gamma^\pi(s)$ exists of infinitely many subterms and Puterman (1994) shows that $\lim_{\gamma \rightarrow 1} e_\gamma^\pi(s) = 0$. Note how the first term depending on the average reward $\rho^\pi(s)$ converges to infinity as γ increases.

However, an important insight is the connection between n -discount-optimality and the Laurent series expansion of $V_\gamma^\pi(s)$. Each addend corresponds to one step in n -discount-optimality. That is for (-1) -discount-optimality the addend describes (a scaled version of) the term to maximise for gain-optimality, for 0-discount-optimality the term to maximise for bias-optimality, and finally n -discount-optimality for $n \geq 1$ requires to maximise the error term $e_\gamma^\pi(s)$. The later only exists as γ is strictly less than 1. Thus this term incorporates the number of expected steps and their corresponding reward on the path to the Blackwell-optimal policy. Put differently, it optimises the expected reward collected to reach the Blackwell optimal policy according to the occurrence on the

paths, where shorter paths and those which collect the rewards sooner are preferred.

These addends, where $n = -1, 0, \dots$ denote the coefficients of the Laurent series expansion and thus correspond to the n of the definition of n -discount-optimality, can be reformulated to following constraint problem (Miller and Veinott, 1969; Puterman, 1994, p.346).

$$\rho^\pi(s) - \mathbb{E}[\rho^\pi(s)] = 0 \quad \text{for } n = -1 \quad (1)$$

$$\rho^\pi(s) + V^\pi(s) - \mathbb{E}[V^\pi(s)] = R^\pi(s) \quad \text{for } n = 0 \quad (2)$$

$$W_{n-1}^\pi(s) + W_n^\pi(s) - \mathbb{E}[W_n^\pi(s)] = 0 \quad \text{for } n \geq 1, \text{ where } W_0^\pi(s) = V^\pi(s) \quad (3)$$

The error term $e_\gamma^\pi(s)$ is given by $e_\gamma^\pi(s) = \sum_{n=1}^{\infty} W_n^\pi(s)$ and the expected reward $R^\pi(s) = \mathbb{E}_\pi[r(s, a)]$. Puterman (1994, p.343ff) shows that due to the given degree of freedom if $n = -1, 0, \dots, M$ constraints are satisfying the above conditions for all states s , then only $\rho^\pi(s), V^\pi(s), W_1^\pi, \dots, W_{M-1}^\pi$ are unique, whereas W_M^π is offset by the vector u where for the transition probability matrix P the vector u is characterised by $(I - P)u = 0$. Note that u is determined by the number of closed irreducible classes of P , that is for ergodic MDPs u is determined by a single constant. Average reward learning is based on the above formulation.

A major problem occurring at average reward RL is that the bias values are not uniquely defined without solving the first set of constraints defined by the error term addends (see Mahadevan, 1996d; Puterman, 1994, p.346). Our algorithm, based on the tabular version of Schneckenreither (2020), does not require the exact solution for $V^\pi(s)$, but a solution which is offset suffices. Clearly this observation reduces the required iteration steps tremendously as finding the exact solution, especially for large discount factors, is tedious. Therefore, we allow to set $\gamma = 1$, which induces $X_\gamma^\pi(s) = V^\pi(s) + u$, where u is for unichain MDPs a scalar value independent of s , i.e. equivalent for all states of the MDP (Puterman, 1994, p.346). If we are interested in correct bias values, i.e. γ is sufficiently close but strictly less than 1, our approach is a tremendous advantage over average reward RL as it reduces the number of iterative learning steps by requiring only a single constraint per state plus one for the scalar average reward value. That is, for an MDP with N states only one more constraint ($N + 1$) has to be solved in ARA-DiRL as compared to (at least) $2N + 1$ nested constraints for average reward RL. Therefore, it is cheap to compute $X_\gamma^\pi(s)$, while it is rather expensive to find the correct values of $V^\pi(s)$ directly, especially in an iterative manner as RL is.

2.4 Average Reward Adjusted Reinforcement Learning

In the sequel we briefly present the needed formalism of average reward adjusted RL, where for a more comprehensive version see (Schneckenreither, 2020). [\[MS: todo\]](#)

Definition 2. Due to Schneckenreither (2020) the average reward adjusted (discounted) state value $X_\gamma^\pi(s)$ of a state s under policy π and with discount factor $0 \leq \gamma \leq 1$ is given as $X_\gamma^\pi(s) := V^\pi(s) + e_\gamma^\pi(s)$.

Algorithm 1 Near-Blackwell-optimal deep RL for unichain MDPs

- 1: Initialise state s_0 and network parameters θ_X^T, θ_X^W randomly, set an exploration rate $0 \leq p_{\text{learn}} \leq p_{\text{expl}} \leq 1$, exponential smoothing learning rates $0 < \alpha, \gamma < 1$, and discount factors $0 < \gamma_0 < \gamma_1 \leq 1$, where $\gamma_1 = 1$ is usually a good choice.
- 2: **while** the stopping criterion is not fulfilled **do**
- 3: With probability p_{expl} choose a random action and probability $1 - p_{\text{expl}}$ one that fulfills $\max_a \preceq_\epsilon (X_{\gamma_1}^\pi(s_t, a; \theta_X^W), X_{\gamma_0}^\pi(s_t, a; \theta_X^W))$. Let a_t^{rd} indicate if the action was chosen randomly.
- 4: Carry out action a_t , observe reward r_t and resulting state s_{t+1} . Store the experience $(s_t, a_t^{\text{rd}}, a_t, r_t, s_{t+1})$ in the experience replay memory M .
- 5: **if** a non-random action was chosen or $p_{\text{expl}} > p_{\text{learn}}$ **then**

$$\rho^\pi \leftarrow (1 - \alpha)\rho^\pi + \alpha[r_t + \max_a X_{\gamma_1}^\pi(s_{t+1}, a; \theta_X^W) - X_{\gamma_1}^\pi(s_t, a_t; \theta_X^W)]$$

- 6: Sample random mini-batch of experiences $(s_i, a_i^{\text{rd}}, a_i, r_i, s_i)$ from M and do

$$y_{i, \gamma_0} \leftarrow r_t + \gamma_0 \max_a X_{\gamma_0}^\pi(s_{t+1}, a; \theta_X^T) - \rho^\pi$$

$$y_{i, \gamma_1} \leftarrow r_t + \gamma_1 \max_a X_{\gamma_1}^\pi(s_{t+1}, a; \theta_X^T) - \rho^\pi$$

- 7: Update the average reward adjusted discounted state-values using the sum of the gradients on $(y_{i, \cdot} - X_{\gamma}^\pi(s_{t+1}, a; \theta_X^W))^2$ wrt. network parameters θ_X^W .
 - 8: Every C steps exponentially set target network: $\theta_X^T \leftarrow (1 - \gamma)\theta_X^T + \gamma\theta_X^W$
 - 9: Set $s \leftarrow s'$, $t \leftarrow t + 1$ and decay parameters
-

With the Laurent Series expensive this reformulates to $X_\gamma^\pi(s) = V_\gamma^\pi(s) - \frac{\rho^\pi}{1-\gamma}$. Therefore, $X_\gamma^\pi(s)$ describes the discounted state value adjusted by the average reward term. The Bellman Equation is given by $X_\gamma^\pi(s) = \mathbb{E}_\pi[r_t + \gamma X_\gamma^\pi(s_{t+1}) - \rho^\pi \mid s_t = s]$. By turning this formula into an update rule it builds the foundation of our algorithm.

Average Reward Adjusted Deep RL Algorithm. The model-free average reward adjusted RL algorithm is based on the tabular version of Schneckenreither (2020) and depicted in Algorithm 1. **[MS: describe network initialisation method (Uniform, HeAtAl, etc.)]** **[MS: Extensions: overestimate rho, rho minimum, Multiple Agents (shared state, shared rho?), init-phase (0.5 for expSmothRewRate, always adapt rho, same rho for all agents): exp smooth reward as rho, replay memory actions, n-step (describe replay memory), gradient clipping]** **[MS: Side info: Replay memory also stores (disallowed) filtered action indices for optimisation purposes and on episodic tasks needs to store a bool indicating an episode end. Uses Int8 for state features values.]**

After initialising all values the agent enters the loop in which the first task is to choose an action (step 3). In this action selection process we utilise an ϵ -sensitive lexicographic order $a = (a_1, \dots, a_n) \prec_\epsilon (b_1, \dots, b_n) = b$ defined as $a \prec_\epsilon b$ if and only if $|a_j - b_j| \leq \epsilon$ for all $j < i$ and $|a_i - b_i| > \epsilon$. Note that the resulting sets of actions may not be disjoint. Although this is an unusual order in programming, taking the maximum as in our algorithm is straight-forward

and thus cheap to compute. The first action selection criteria maximises the average reward. In case of unichain and thus ergodic MDPs only one scalar average reward value over all states is learned and thus the problem simplified by abolishing the comparison in the first component. Then the set of actions which maximise the bias values are selected. Finally, $\Delta V_\gamma^\pi(s, a)$ is used to estimate the slope of the error term $e_\gamma^\pi(s, a)$, which can be either positive or negative. Therefore, there is the need of a distinction of which actions to maximise according to the discounted state value difference $\Delta V_\gamma^\pi(s, a) = V_{\gamma_1}^\pi(s, a) - V_{\gamma_0}^\pi(s, a)$. As the aim is to collect rewards as soon as possible, a Blackwell-optimal reinforcement learning agents maximises the error term, thus any actions converging to $\frac{\rho^\pi(s, a)}{1-\gamma_0} + V^\pi(s, a)$ from above are preferred over those that converge from below. Within these sets the action which maximises $\Delta V_\gamma^\pi(s, a)$ is selected. If multiple such actions the agent can choose randomly among these.

As usual in reinforcement learning the equations are integrated by exponentially smoothing the values utilising parameters $\alpha, \beta, \gamma, \delta$. Step 5a uses the Bellman equation for average reward reinforcement learning (cf. Howard 1964; Tadepalli and Ok 1998) to find the average reward. Then step 5b, 5c and 5d depict Equations (2) and (3) for $n = 0$, $n = 1$ and $n = 2$. The need of learning values for $n = 2$ stems from the fact that the actual values corresponding to the highest n are offset by vector u .

Step 6 infers the discounted state values using learning rate γ and two discount rates $0.5 \leq \gamma_0 < \gamma_1 < 1$ to estimate the state value difference $\Delta V_\gamma^\pi(s, a)$.

Steps 7 and 8 are crucial, but were not considered in average reward reinforcement learning before. They feed back the deviations $\Psi(s, a)$ into the constraint problem creating a recursive system of equations. Depending on the underlying MDP when this constraint is omitted one likely observes steadily increasing deviations and therefore a wrong solution. This feedback loop however is only activated in case a non-random action was chosen, as otherwise the deviations $\Psi(s, a) > 0$ (Miller and Veinott, 1969).

Recall that the algorithm evaluates the slope of $e_\gamma^\pi(s)$ by learning the state values using two different γ settings and discounted reinforcement learning. The slope of $e_\gamma^\pi(s)$ combined with the observation that for Blackwell-optimal policies π^* there exists a discount factor $\gamma^* < 1$ such that $V_{\gamma^*}^{\pi^*}(s) \geq V_\gamma^{\pi^*}(s)$ for all $\gamma \geq \gamma^*$ and under all policies π (Blackwell, 1962; Mahadevan, 1996d) provides the most selective criteria for our algorithm, which theoretically can find Blackwell-optimal policies² (see Section A in Appendix).

2.5 Proof-of-Concept

Reconsider the task depicted in Figure 2. The Blackwell-optimal MDP π_A , that is the one that chooses the A-loop, is shown on the left side of Figure 3. Recall that the bias values for π_A are $V^{\pi_A}(0) = -0.5$, $V^{\pi_A}(1) = 0.5$ and $V^{\pi_A}(2) = 1.5$. Our model-based implementation infers the values $\rho^{\pi_A} = 1$, $V^{\pi_A}(0) = -0.5$,

² This claim is only not fully proven yet. See the appendix for a first version of the proof.

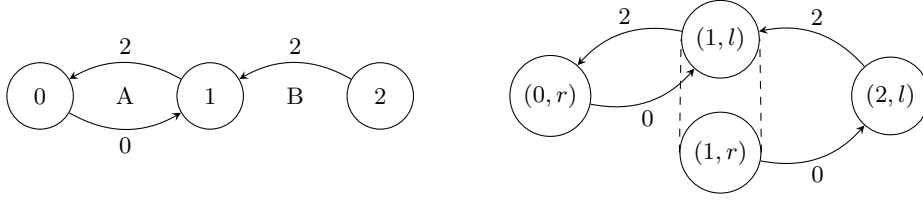


Fig. 3: The left side depicts the Blackwell-optimal MDP of Figure 2, that is the MDP that takes the A loop. On the right side is the model-free version of the same MDP with policy π_A . As in the model-free scenario state-action pairs are evaluated state 1 is split into a state that takes the left loop and one that traverses to the right. They are linked with dashed lines to indicate that these states are connected and the agent has to decide for one among them. The bias values for the model-free version are $V^{\pi_A}(0, r) = -0.5$, $V^{\pi_A}(1, l) = V^{\pi_A}(1, r) = 0.5$, and $V^{\pi_A}(2, l) = 1.5$.

$V^{\pi_A}(1) = 0.5$ and $V^{\pi_A}(2) = 1.4391$ fully automatically in $200k$ steps. Furthermore, the addition of $V^{\pi_A}(2) + \Psi_V^{\pi_A}(2) = 1.4998$, where $\Psi_V^{\pi_A}(2)$ is the exponentially smoothed deviation for state 2. Thus the model-based algorithm is able to correctly approximate the mathematical solution.

The right side of Figure 3 shows the same MDP for the model-free version. In model-free reinforcement learning state-action pairs as opposed to state values are estimated. Thus each state is replicated as often, as actions are available in that state. Therefore, state 1 is replaced by states-action pairs $(1, l)$ and $(1, r)$ for moving to the left (taking the A-loop) and to the right respectively. The dashed line indicates that these states are connected and thus the agent has to choose among them when reaching either. In this case the inferred bias values are $V^{\pi_A}(0, r) = -0.5$, $V^{\pi_A}(1, l) = V^{\pi_A}(1, r) = 0.5$, and $V^{\pi_A}(2, l) = 1.5$. The above given tabular model-free average reward reinforcement learning algorithm is able to exactly infer these values in less than $100k$ steps. This provides evidence that the algorithm in general infers correct solutions in regard to the underlying constraints.

Furthermore, in the later case $V^{\pi_A}(1, l) = V^{\pi_A}(1, r) = 0.5$, that is if the agent resides in state 1 it has to choose among the both available actions. This cannot be done on basis of the average reward, nor on the bias values. Therefore, it infers the slopes of the error terms using the difference of the discounted state values $V_{\gamma_1}^{\pi_A}(1, l) = 5.56$ and $V_{\gamma_0}^{\pi_A}(1, l) = 2.67$ for state-action pair $(1, l)$ and $V_{\gamma_1}^{\pi_A}(1, r) = 5.16$ and $V_{\gamma_0}^{\pi_A}(1, r) = 1.67$ for $(1, r)$, yielding $\Delta V_{\gamma}^{\pi_A}(1, l) = -2.89$ and $\Delta V_{\gamma}^{\pi_A}(1, r) = -3.49$, where $\gamma_0 = 0.5$ and $\gamma_1 = 0.8$.

The idea is that rewards are collected as soon as possible, thus the error term has to be maximised when $\gamma \rightarrow 1$. As we have $2.5 = \frac{\rho^{\pi_A}}{1-\gamma_0} + V^{\pi_A}(1, a) < V_{\gamma_0}^{\pi_A}(1, l) = 2.67$, while $2.5 \geq 1.67$, we choose action l as it is the only action with positive error term.

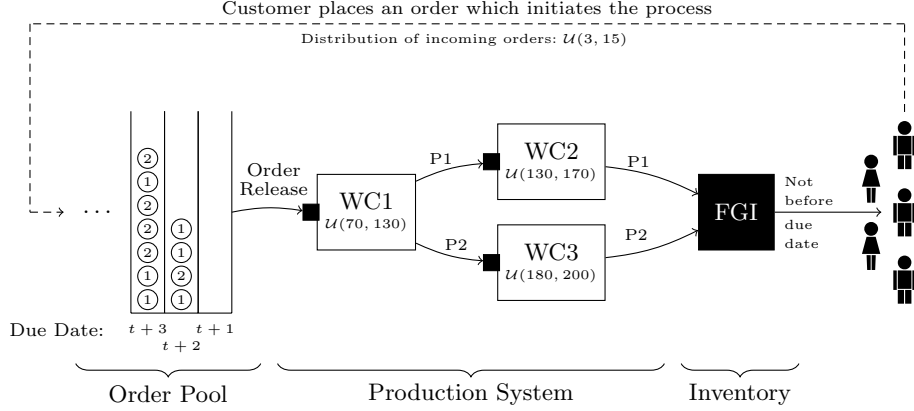


Fig. 4: Production system of the simulation model with routing, processing time distributions and demand.

3 Experimental Evaluation

This section introduces the simulation model and the parameterisation of the algorithm. To be able to compare the performance of the algorithm we chose to implement the same setup as has been used by Schneckenreither and Haeussler (2019).

3.1 Simulation Model

Therefore, we use the hypothetical flow shop make-to-order manufacturing system similar to the system analyzed by Lee et al. (1997) and later by Schneckenreither (2019). The simulation model consists of three work centres; each consists of a single machine and can process only one order at a time. Figure 4 depicts the make-to-order production system setup. The number of orders arriving is uniformly distributed between 3 and 15 order per period and thus with a mean of 9 order per period. In other words, on average every 0.11 periods one order arrives in the order pool. Incoming orders are queued at the order pool until released. The due date slack (dds), that is the periods until incoming orders are due, is set to 7 periods. Once orders are released they are queued at each work center and wait until being processed by the machine. The queuing priority is first-come-first-serve. No preemptions are allowed. Order routings are deterministic and embrace two production stages with diverging shape and no return visits. This results in 2 different products. The operation times of the work centres are uniformly distributed, cf. Table 1. These characteristics lead to a utilization rate of 90% for the bottleneck work center (WC3) in steady state.

To evaluate the performance of the different order release models we define following performance measures similar to literature (e.g., Baykasoglu and Gocken 2011; Thuerer et al. 2012):

Work Center	WC1	WC2	WC3
Operation time	$\mathcal{U}(70, 130)$	$\mathcal{U}(130, 170)$	$\mathcal{U}(180, 200)$

Cost	Wc p. Order/Period	Fc p. Order/Period	Bc p. Order/Period
Value	3	10	20

Table 1: Operation times (upper half) and costs setup (in monetary unit).

- **Cost related measures:** average total holding costs for WIP and finished goods inventory, costs for backorders. There are no earnings, thus the algorithms minimizes the costs. The setup for the actual values of the costs is given in Table 1 and shows that late deliveries are especially expensive. All costs are per order and period, and are measured and reported at the end of each period.
- **Delivery related measures:** mean tardiness of late orders (TA), standard deviation of lateness (σ TA).
- **Flow time related measures:** mean shop floor throughput time (time duration from release until entry of finished goods inventory; SFTT).

The length of each simulation run to evaluate the performance was 6000 periods including a warm-up period of 1000 periods. Welch’s procedure was applied to approximate the length of the warm-up period (see Law and Kelton 2000).

3.2 Conventional Order Release Rules

As external benchmark for comparison we use different parameterized backward infinite loading (BIL) techniques:

$$RD_j = DD_j - LT_j ,$$

where the release date RD_j of product type j is calculated by the difference of the due date DD_j and the lead time LT_j . Note that we set lead times for each product type and not for every order as done by Ackerman (1963).

3.3 Algorithm Setup

Markov Decision Process. The underlying MDP is unichain and looks as follows. Both, state space \mathcal{S} and action space \mathcal{A} are discrete. Any state $s \in \mathcal{S}$ of the *state space* is composed of the following information for each product p :

- The currently set lead time $LT_p \in \{1, 2, \dots, \text{dds}\}$ (Recall: Due Date Period – Lead Time = Release Period). Note that we bound the maximum lead time with due date slack dds , which is 7 in our setup.
- Counters $OP_{p,d} \in \mathbb{N}$ for the number of orders in the order pool divided in time buckets with $d \in \{1, 2, \dots, \text{dds}\}$, which stands for the number of periods until the due date.

- Counters $Q_i \in \mathbb{N}$ standing for the number of orders for each queue i .
- Counters $FGI_{p,d} \in \mathbb{N}$ of orders in the finished goods inventory divided in time buckets with $d \in \{-5, -4, -3, \dots, \text{dds}\}$, which stands for the number of periods until the due date. Orders with a due date with more than 5 periods ago are listed in the counter FGI_{-5} .
- Counters $S_{p,d} \in \mathbb{N}$ of shipped orders from the last period divided in time buckets with $d \in \{-5, -4, -3, \dots, \text{dds}\}$, which stands for the number of periods until the due date. Orders with a due date with more than 5 periods ago are listed in the counter S_{-5} .

The algorithm implicitly learns a function which maps the current state of the production system to a release decision. In an optimal situation it does so by multiply exploring every action for each state and assessing its economic viability.

Orders are released once the due date is within the interval $[t, t + \text{lead time}]$, whereas t is the current period. Clearly, this yields bulk releases (either all or no orders with the same due date and product type are released).

The *actions space* is composed of two independent decisions. These are the relative changes of the lead times to the currently set lead times $LT_p \in \{1, 2, \dots, \text{dds}\}$ for each product p . Recall that $p = 2$. Furthermore, we restrict the action space for each state s_{t+1} according to the last set lead time LT_p from state s_t by restricting the change of the lead time for consecutive periods to a maximum of 1. Thus, if LT_p is the current lead time for product p the action space for this product is given by $\{1, 2, \dots, \text{dds}\} \cap \{LT_p - 1, LT_p, LT_p + 1\}$. Put differently the algorithm can increase or decrease the lead time by 1 or leave it as it is, as long as it acts within the discrete action space given by the set $\{1, 2, \dots, \text{dds}\}$ for each type of product. Thus the action space over all products is given by the full enumeration of available actions of the individual products.

Reward. In each period the agent chooses an action which generates a reward while traversing to the next period by simulating the production system. The rewards are the accumulated costs at the end of the period. These costs are consist of the number of backorders, the current WIP level and the number of orders in the inventory.

Adapted Algorithm. The algorithm depicted above is designed as a tabular version. We have adapted it to use neural networks for the approximation of the different kind of state-action pair value functions. This is required due to the exponential growth of the state space. The implementation collects the observed information for each state-action function in a replay memory and randomly selects 128 data points out of a collection of 30k memories in each period and trains these on the neural network. This technique is called experience replay memory (Lin, 1993; Mnih et al., 2015) and ought to overcome we instabilities. Nonetheless, this approximation results in the fact that the algorithm can be unstable or may even diverge (Tsitsiklis and Van Roy, 1997). Additionally we use a target and a worker network, whereas the target network is overwritten every 10k steps by the worker network. This has been proposed by Mnih et al. (2015) and should further stabilize the algorithm.

Parameter	α	β	δ	γ	ϵ	p_{exp}	ξ
Value	0.5	0.15	0.15	0.15	0.5	1.0	0.15

Table 2: Parameter Setup.

Neural Network Setup. We use the same setup for the neural network as done by Schneckenreither (2019). However as they use a actor-critic agent, whereas we approximate state-action-values the output of the network is a one dimensional vector as opposed to a matrix. Therefore we use a single three layer fully-connected network where the number of nodes and activation functions are 41-ReLU³-89-ReLU-20-ReLU-9, with the output activations being Tanh (hyperbolic tangent function). The output for both networks consist of $3^2 = 9$ nodes. This is due to the fact that all combinations of increase, decrease and no change of the lead time for each product type have to be represented. For back-propagation we use the Adam optimiser with learning rate 0.001, and beta-values $\beta_1 = 0.9$, and $\beta_2 = 0.999$.

4 Preliminary Results

This section provides preliminary results for the described setup and gives an overview of the current performance of the algorithm compared to the conventional static lead time setting algorithms.

Currently we evaluate two different kinds of reward reporting as they have been proposed by Schneckenreither (2019). They find that it is beneficial to overcome the time offset imposed by the production system. That is, although orders are immediately released to the production system and thus generate a response in terms of a reward to the agent, the full impact of the chosen action takes several periods to materialise. For instance, by deciding not to release an order, which later becomes a backorder, it is beneficial to reward the actions actually responsible for the backorder instead of the last action (only). Thus they propose to keep track of the orders currently in the order pool until all fully traversed through the production system and reward the actions according to all orders in the order pool.

The parameter setup is given in Table 2. The parameters are exponentially decayed with rate 0.05 and 350k steps⁴. We implemented the deep Q-network algorithm proposed by Mnih et al. (2015), which is parameterised by learning rate δ and a discount factor of 0.99.

Table 3 shows the results, where we evaluate the average reward and discounted reinforcement learning algorithm by providing either direct reward feedback, that is the reward accumulated in the next period, without keeping track of any orders, as MLShipped and MLShipped.DQN respectively. Further both

³ ReLU stands for rectified linear unit.

⁴ The decay is defined as $0.05^{(t/350k)}$, where t is the current period

Algorithm/KPI	SUM	BOC	FGIC	WIPC	TARD	σ TARD	SFTT
MLShipped	1777.74	1322.04	94.49	361.20	2.24	1.52	3.44
MLOrdPool	1593.03	1318.65	14.01	260.36	2.11	1.42	2.68
MLShipped_DQN	1940.62	1570.40	6.30	363.92	2.35	1.59	3.95
MLOrdPool_DQN	1618.88	1306.20	40.68	272.00	2.08	1.38	2.58
BIL1	1736.98	1510.42	0.00	226.56	2.04	1.26	2.16
BIL2	1081.79	769.86	86.89	225.03	1.87	1.18	2.15
BIL3	922.36	362.59	334.47	225.30	1.74	1.07	2.15
BIL4	1062.68	155.72	681.03	225.93	1.63	0.99	2.15
BIL5	1380.04	65.45	1088.94	225.64	1.67	1.02	2.15
BIL6	1777.77	25.04	1529.77	222.96	1.61	0.85	2.13
Immediate Release	2209.97	12.08	1974.72	223.16	1.58	0.63	2.14

Table 3: Evaluation results where the monetary units are in k -values.

algorithms are evaluated with keeping track of the order pool orders, such that each action is responsible for all orders in the order pool. These are labelled MLOrdPool and MLOrdPool_DQN. For comparisons reasons we provide BIL1 – BIL6 and immediate release (interval release).

The results show that at the current time we are facing issues with scaling the algorithm to the order release problem. Likely this is due to parameterisation issues, which we are investigating currently. However, it can be seen that i) the technique of keeping track of the order pool orders leads to better policies and ii) that despite the parameterisation issues average reward reinforcement learning finds better solutions than its discounted counterpart. However, the least costs are generated by BIL3, which shows that there is room for improvement for the reinforcement learning policies.

Interesting is also to see, that all reinforcement learning variants are releasing rather late, leading to low finished goods inventory costs (FGIC), but high backorder costs (BOC). Furthermore, the agents based on the order-pool orders, namely MLOrdPool and MLOrdPool_DQN, are able achieve lower work-in-process costs (WIPC) and also lower tardiness, than the other the agents rewarded directly on the shipped orders.

5 Conclusion

This paper introduces deep theoretical insights in reinforcement learning and provides first evidence that average reward reinforcement learning is better applicable to operations research problems than the discounted framework. The paper describes an application of an order release model based on reinforcement learning. The performance is tested on a multi-product, two-stage hypothetical flow shop and is measured by cost, delivery and lead time related measures. We show that in the current version the machine learning approach is not able to

outperform all other tested order release approaches. In the future we expect to be able to yield better results by investigating the parameterisation and resolving current issues when scaling average reinforcement learning to complex scenarios.

Bibliography

- S.S. Ackerman. Even-flow a scheduling method for reducing lateness in job shops. *Management Technology*, 3:20–32, 1963.
- M Emin Aydin and Ercan Öztemel. Dynamic job-shop scheduling using reinforcement learning agents. *Robotics and Autonomous Systems*, 33(2-3):169–178, 2000.
- Adil Baykasoglu and Mustafa Gocken. A simulation based approach to analyse the effects of job release on the performance of a multi-stage job-shop with processing flexibility. *International Journal of Production Research*, 49(2):585–610, 2011. ISSN 0020-7543. doi: 10.1080/00207540903479778. URL <GotoISI>://WOS:000284413100015.
- Marc G Bellemare, Joel Veness, and Michael Bowling. Investigating contingency awareness using atari 2600 games. In *Twenty-Sixth AAAI Conference on Artificial Intelligence*, 2012.
- J. W. M. Bertrand. The effect of workload dependent due-dates on job shop performance. *Management Science*, 29(7):799–816, 1983.
- Dimitri P Bertsekas, Dimitri P Bertsekas, Dimitri P Bertsekas, and Dimitri P Bertsekas. *Dynamic programming and optimal control*, volume 1. Athena scientific Belmont, MA, 1995.
- David Blackwell. Discrete dynamic programming. *The Annals of Mathematical Statistics*, 344:719–726, 1962. doi: 016/j.cam.2018.05.030.
- S.-H. Chung and H.-W. Huang. Cycle time estimation for wafer fab with engineering lots. *IIE Transactions*, 34(2):105–118, 2002. doi: 10.1080/07408170208928854. URL <https://doi.org/10.1080/07408170208928854>.
- Tapas K. Das, Abhijit Gosavi, Sridhar Mahadevan, and Nicholas Marchallick. Solving semi-markov decision problems using average reward reinforcement learning. *Management Science*, 45(4):560–574, 1999.
- Stefanos Doltsinis, Pedro Ferreira, and Niels Lohse. Reinforcement learning for production ramp-up: A q-batch learning approach. In *2012 11th International Conference on Machine Learning and Applications*, volume 1, pages 610–615. IEEE, 2012.
- S. T. Enns and P. Suwanruji. Work load responsive adjustment of planned lead times. *Journal of Manufacturing Technology Management*, 15(1):90–100, 2004.
- L. F. Gelders and L. N. Van Wassenhove. Hierarchical integration in production planning: Theory and practice. *Journal of Operations Management*, 3(1):27–35, 1982.
- Joren Gijsbrechts, Robert N Boute, Jan A Van Mieghem, and Dennis Zhang. Can deep reinforcement learning improve inventory management? performance and implementation of dual sourcing-mode problems. *Performance and Implementation of Dual Sourcing-Mode Problems (December 17, 2018)*, 2018.
- Ronald A Howard. Dynamic programming and markov processes. 1964.
- J. Hoyt. Dynamic lead times that fit today’s dynamic planning (quoat lead times). *Production and Inventory Management*, 19(1):63–71, 1978.

- M. Knollmann and K. Windt. Control-theoretic analysis of the lead time syndrome and its impact on the logistic target achievement. *Procedia CIRP*, 7: 97–102, 2013.
- Averill M. Law and W. David Kelton. *Simulation Modeling & Analysis*. McGraw-Hill, Inc, New York, 3rd edition, 2000.
- C.-Y. Lee, S. Piramuthu, and Y.-K. Tsai. Job shop scheduling with a genetic algorithm and machine learning. *International Journal of Production Research*, 35(4):1171–1191, 1997. doi: 10.1080/002075497195605. URL <https://doi.org/10.1080/002075497195605>.
- Timothy P. Lillicrap, Jonathan J. Hunt, Alexander Pritzel, Nicolas Heess, Tom Erez, Yuval Tassa, David Silver, and Daan Wierstra. Continuous control with deep reinforcement learning. *arXiv preprint arXiv:1509.02971*, 2015.
- Long-Ji Lin. Reinforcement learning for robots using neural networks. Technical report, Carnegie-Mellon Univ Pittsburgh PA School of Computer Science, 1993.
- Sridhar Mahadevan. An average-reward reinforcement learning algorithm for computing bias-optimal policies. In *AAAI/IAAI, Vol. 1*, pages 875–880, 1996a.
- Sridhar Mahadevan. Average reward reinforcement learning: Foundations, algorithms, and empirical results. *Machine Learning*, 22:159–195, 1996b.
- Sridhar Mahadevan. Optimality criteria in reinforcement learning. In *Proceedings of the AAAI Fall Symposium on Learning Complex Behaviors in Adaptive Intelligent Systems*, 1996c.
- Sridhar Mahadevan. Sensitive discount optimality: Unifying discounted and average reward reinforcement learning. In *ICML*, pages 328–336, 1996d.
- Sridhar Mahadevan and Georgios Theodorou. Optimizing production manufacturing using reinforcement learning. In *FLAIRS Conference*, pages 372–377, 1998.
- Sridhar Mahadevan, Nicholas Marchallick, Tapas K. Das, and Abhijit Gosavi. Self-improving factory simulation using continuous-time average-reward reinforcement learning. In *MACHINE LEARNING-INTERNATIONAL WORKSHOP THEN CONFERENCE*, pages 202–210, 1997.
- H. Mather and G. W. Plossl. Priority fixation versus throughput planning. *Production and Inventory Management*, 19:27–51, 1978.
- B. L. Miller and A. F. Veinott. Discrete dynamic programming with a small interest rate. *The Annals of Mathematical Statistics*, 40(2):366–370, 1969. ISSN 00034851. URL <http://www.jstor.org/stable/2239451>.
- Volodymyr Mnih, Koray Kavukcuoglu, David Silver, Andrei A Rusu, Joel Veness, Marc G Bellemare, Alex Graves, Martin Riedmiller, Andreas K Fidjeland, Georg Ostrovski, et al. Human-level control through deep reinforcement learning. *Nature*, 518(7540):529, 2015.
- Volodymyr Mnih, Adria Puigdomenech Badia, Mehdi Mirza, Alex Graves, Timothy Lillicrap, Tim Harley, David Silver, and Koray Kavukcuoglu. Asynchronous methods for deep reinforcement learning. In *International conference on machine learning*, pages 1928–1937, 2016.
- Julia Pahl, Stefan Voss, and David L. Woodruff. Production planning with load dependent lead times: an update of research. *Annals of Operations Research*,

- 153(1):297–345, 2007. ISSN 0254-5330. doi: 10.1007/s10479-007-0173-5. URL <GotoISI>://WOS:000247203300013.
- Carlos D Paternina-Arboleda and Tapas K Das. Intelligent dynamic control policies for serial production lines. *Iie Transactions*, 33(1):65–77, 2001.
- Martin L Puterman. Markov decision processes. j. *Wiley and Sons*, 1994.
- M. Schneckenreither. Blackwell-optimal reinforcement learning. Working paper., 2019.
- M. Schneckenreither and S. Haeussler. *Reinforcement Learning Methods for Operations Research Applications: The Order Release Problem*, page 46. Springer International Publishing, 2019. ISBN 978-3-030-13708-3.
- Manuel Schneckenreither. Average reward adjusted discounted reinforcement learning: Near-blackwell-optimal policies for real-world applications. *arXiv preprint arXiv:2004.00857*, 2020.
- Manuel Schneckenreither, Stefan Haeussler, and Christoph Gerold. Order release planning with predictive lead times: A machine learning approach. *The International Journal of Production Research*, 2020. Accepted.
- B. Selcuk, J. C. Fransoo, and T. G. De Kok. The effect of updating lead times on the performance of hierarchical planning systems. *International Journal of Production Economics*, 104(2):427–440, 2006.
- David Silver, Aja Huang, Chris J Maddison, Arthur Guez, Laurent Sifre, George Van Den Driessche, Julian Schrittwieser, Ioannis Antonoglou, Veda Panneershelvam, Marc Lanctot, et al. Mastering the game of go with deep neural networks and tree search. *nature*, 529(7587):484, 2016.
- David Silver, Thomas Hubert, Julian Schrittwieser, Ioannis Antonoglou, Matthew Lai, Arthur Guez, Marc Lanctot, Laurent Sifre, Dhharshan Kumaran, Thore Graepel, et al. Mastering chess and shogi by self-play with a general reinforcement learning algorithm. *arXiv preprint arXiv:1712.01815*, 2017.
- Richard S Sutton, Andrew G Barto, et al. *Introduction to reinforcement learning*, volume 2. MIT press Cambridge, 1998.
- Prasad Tadepalli and DoKyeong Ok. Model-based average reward reinforcement learning. *Artificial intelligence*, 100(1-2):177–224, 1998.
- I. P. Tatsiopoulos and B. G. Kingsman. Lead time management. *European Journal of Operational Research*, 14(4):351–358, 1983. ISSN 0377-2217.
- M. Thuerer, M. Stevenson, C. Silva, M. J. Land, and L. D. Fredendall. Workload control and order release: A lean solution for make-to-order companies. *Production and Operations Management*, 21(5):939–953, 2012.
- John N Tsitsiklis and Benjamin Van Roy. Analysis of temporal-difference learning with function approximation. In *Advances in neural information processing systems*, pages 1075–1081, 1997.
- Arthur F. Veinott. Discrete dynamic programming with sensitive discount optimality criteria. *The Annals of Mathematical Statistics*, 40(5):1635–1660, 1969. doi: 10.1214/aoms/1177697379.
- Yi-Chi Wang and John M Usher. Application of reinforcement learning for agent-based production scheduling. *Engineering Applications of Artificial Intelligence*, 18(1):73–82, 2005.

- Bernd Waschneck, André Reichstaller, Lenz Belzner, Thomas Altenmüller, Thomas Bauernhansl, Alexander Knapp, and Andreas Kyek. Optimization of global production scheduling with deep reinforcement learning. *Procedia CIRP*, 72(1):1264–1269, 2018.
- H. P. Wiendahl. *Load-Oriented Manufacturing Control*. Springer, Berlin, 1st edition, 1995. ISBN 9783642633430.
- Günther Zäpfel. *Produktionswirtschaft: Operatives Produktions-Management*. de Gruyter, 1982.
- Wei Zhang and Thomas G Dietterich. A reinforcement learning approach to job-shop scheduling. In *IJCAI*, volume 95, pages 1114–1120. Citeseer, 1995.

A N-Discount-Optimality

This part proves (or rather ought to prove, as this is only the first version of such a proof) Blackwell-optimality of the average reward adjusted reinforcement learning algorithm shown in Algorithm 1. The idea is to prove n -discount optimality for $n = -1, 0, 1, \dots$ for all states $s \in \mathcal{S}$ with discount factor γ if and only if n -discount-optimality.

Definition Due to Veinott (1969) for MDPs a policy π^* is n -discount-optimal for $n = -1, 0, 1, \dots$ for all states $s \in \mathcal{S}$ with discount factor γ if and only if

$$\lim_{\gamma \rightarrow 1} (1 - \gamma)^{-n} (V_{\gamma}^{\pi^*}(s) - V_{\gamma}^{\pi}(s)) \geq 0.$$

A.1 (-1) -Discount-Optimality Mahadevan (1996a).

Here we provide insights in the algorithm and n -discount-optimality, where we concentrate on $n = -1$. Recall that the discounted state value can be expanded by the Laurent series expansion: $V_{\gamma}^{\pi} = \frac{\rho^{\pi}(s)}{1 - \gamma} + V^{\pi} + e_{\gamma}^{\pi}(s)$, where $\lim_{\gamma \rightarrow 1} e_{\gamma}^{\pi}(s) = 0$

$$\begin{aligned} \lim_{\gamma \rightarrow 1} (1 - \gamma)^1 \cdot (V_{\gamma}^{\pi^*}(s) - V_{\gamma}^{\pi}(s)) &\geq 0 \\ \lim_{\gamma \rightarrow 1} (1 - \gamma) \cdot \left(\frac{\rho^{\pi^*}(s) - \rho^{\pi}(s)}{1 - \gamma} + V^{\pi^*}(s) - V^{\pi}(s) + e_{\gamma}^{\pi^*}(s) - e_{\gamma}^{\pi}(s) \right) &\geq 0 \\ \lim_{\gamma \rightarrow 1} (\rho^{\pi^*}(s) - \rho^{\pi}(s) + (1 - \gamma) \cdot (V^{\pi^*}(s) - V^{\pi}(s) + e_{\gamma}^{\pi^*}(s) - e_{\gamma}^{\pi}(s))) &\geq 0 \\ \rho^{\pi^*}(s) - \rho^{\pi}(s) &\geq 0 \end{aligned}$$

That is a policy π which ought to be (-1) -discount-optimal has to maximise the average reward $\rho^{\pi}(s)$ over all states s .

A.2 0-Discount-Optimality Mahadevan (1996a).

Note that a policy can only be 0-discount-optimal if it is -1 -discount-optimal, thus $\rho^{\pi^*}(s) = \rho^{\pi}(s)$. Furthermore, recall that $\lim_{\gamma \rightarrow 1} e_{\gamma}^{\pi}(s) = 0$.

$$\begin{aligned} \lim_{\gamma \rightarrow 1} (1 - \gamma)^0 \cdot (V_{\gamma}^{\pi^*}(s) - V_{\gamma}^{\pi}(s)) &\geq 0 \\ \lim_{\gamma \rightarrow 1} \left(\frac{\rho^{\pi^*}(s) - \rho^{\pi}(s)}{1 - \gamma} + V^{\pi^*}(s) - V^{\pi}(s) + e_{\gamma}^{\pi^*}(s) - e_{\gamma}^{\pi}(s) \right) &\geq 0 \\ \lim_{\gamma \rightarrow 1} \left(\frac{0}{1 - \gamma} + V^{\pi^*}(s) - V^{\pi}(s) \right) &\geq 0 \\ V^{\pi^*}(s) - V^{\pi}(s) &\geq 0 \end{aligned}$$

Therefore a 0-discount-optimal policy π has to maximise the bias values $V^{\pi}(s)$ for all states s .

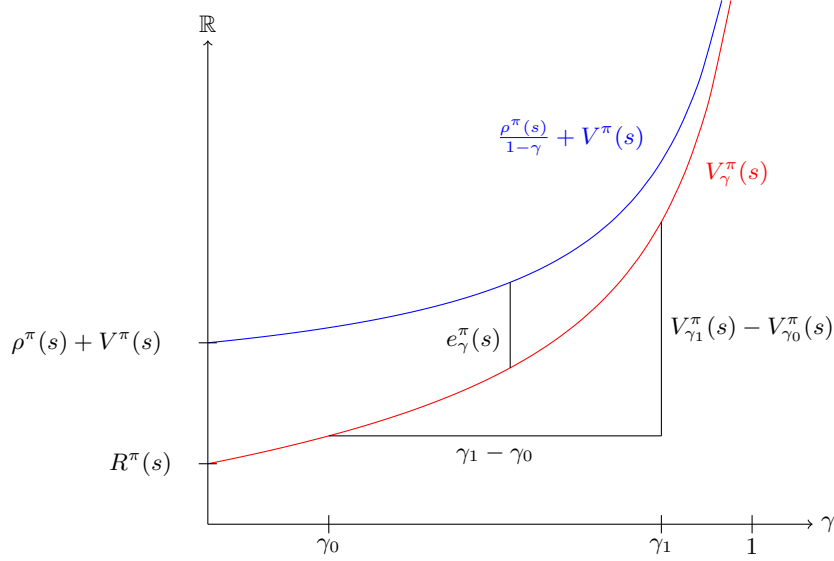


Fig. 5: Visualisation of the monotonically increasing state values for a state s and the corresponding decreasing error term $e_\gamma^\pi(s)$ as γ approaches 1.

A.3 n-Discount-Optimality for $n \geq 1$.

The following derivation provides an important insight to the analysis. Recall that for unichain MDPs the average reward $\rho^\pi(s)$ for all states s is equal and stated as ρ^π . Furthermore, as the policy is 0-discount-optimal $V^{\pi^*}(s) = V^\pi(s)$.

$$\begin{aligned} \lim_{\gamma \rightarrow 1} (1 - \gamma)^{-n} \cdot (V_{\gamma}^{\pi^*}(s) - V_{\gamma}^{\pi}(s)) &\geq 0 \\ \lim_{\gamma \rightarrow 1} (1 - \gamma)^{-n} \cdot \left(\frac{\rho^{\pi^*}(s)}{1 - \gamma} + V^{\pi^*}(s) + e_{\gamma}^{\pi^*}(s) - \frac{\rho^{\pi}(s)}{1 - \gamma} - V^{\pi}(s) - e_{\gamma}^{\pi}(s) \right) &\geq 0 \\ \lim_{\gamma \rightarrow 1} (1 - \gamma)^{-n} \cdot (e_{\gamma}^{\pi^*}(s) - e_{\gamma}^{\pi}(s)) &\geq 0 \end{aligned}$$

As stated before $e_{\gamma}^{\pi^*}(s)$ approaches 0 as $\gamma \rightarrow 1$. Therefore, it is important to note that for $n > 0$ we analyse the case when γ is strictly less than 1. This means that the number of actions to reach a desired goal is taken into account. Therefore, a ∞ -discount-optimal policy π has to maximise the error term $e_{\gamma}^{\pi}(s)$ for all states s . That is, an ∞ -discount-optimal algorithm has to choose the action with the largest error term $e_{\gamma}^{\pi}(s)$ once $\gamma \rightarrow 1$. However, as the error term depends on infinitely many sub-terms simply estimating these and summing up does not work.

Therefore, the idea is to use two discounted state-values with different γ 's to infer the slope of the error term. Figure 5 illustrates the idea. Here γ_1 and γ_0

are used to estimate the difference of $V_{\gamma_1}^\pi(s)$ and $V_{\gamma_0}^\pi(s)$. As the average reward and the bias values are equal (recall 0-discount-optimality) the difference is a direct estimate of the slope of the error term. Thus the larger the increase of the difference of the discounted state values when comparing 0-discount-optimal actions the better the action. However, for this to hold true we have to prove strict monotonicity of $V_\gamma^\pi(s) = \frac{\rho^\pi(s)}{1-\gamma} + V^\pi(s) + e_\gamma^\pi(s)$ under increasing γ . In the sequel we assume $\rho^\pi(s) \geq 0$. Note that this assumption is easily met by adding a constant reward for any action in cases where $\rho^\pi(s) < 0$. This assumption eases the following analysis and makes sense as usually we are interested in problems which accumulate positive average reward, e.g. profit or points, over time.

Remark 3. Nonetheless, it is an important insight that if $\rho^\pi(s) < 0$ then $\frac{\rho^\pi(s)}{1-\gamma} + V^\pi(s)$ approaches negative infinity (as opposed to positive infinity, cf. Figure 5). Therefore, in such cases the following optimisation objectives would need to be inverted.

Lemma 4. *The error term $e_\gamma^\pi(s) = \sum_{m=1}^{\infty} (\frac{1-\gamma}{\gamma})^m \cdot y_m$ strictly monotonically decreases as γ increases.*

Proof. Note that $e_\gamma^\pi(s) = \sum_{m=1}^{\infty} (\frac{1-\gamma}{\gamma})^m \cdot y_m$, where the sign of y_m alternates in each step. This is due to the fact that $y_m = \mathbb{E}_\pi[y_m] - y_{m-1}$ for all $m \geq 1$ (Puterman, 1994, p.346), that is y_m only depends on y_{m-1} and the underlying (stationary) policy. Further y_0 is the bias value $V^\pi(s)$. We consider three cases:

- 1) $\gamma = 0.5$: The factor $(\frac{1-\gamma}{\gamma})^m$ is 1.
- 2) $0.5 < \gamma < 1$: The factor $(\frac{1-\gamma}{\gamma})^m$ is < 1 and strictly monotonically converging towards 0.
- 3) $0 < \gamma < 0.5$: The factor $(\frac{1-\gamma}{\gamma})^m$ is > 1 and strictly monotonically converging towards ∞ .

Case 1) As $\frac{1-\gamma}{\gamma} = 1$ the term reduces to $e_\gamma^\pi(s) = \sum_{m=1}^{\infty} y_m^\pi$. We use the definition

$$y_m^\pi = (-1)^m H_\pi^{m+1} h_\pi,$$

where H_π is the deviation matrix defined as

$$H_\pi = \text{C-lim}_{N \rightarrow \infty} \sum_{t=0}^{N-1} P^t - P^*,$$

C-lim the Cesaro limit⁵, P^* the stationary matrix defined as $P^* = \text{C-lim}_{N \rightarrow \infty} P^N$ and h_π a column vector holding the bias values of the states (Miller and Veinott,

⁵ Recall that the Cesaro limit (with degree 1) is only required in periodic MDPs to ensure stationary matrices. For aperiodic MDPs they can be read as normal limits. (Puterman, 1994, p.592ff)

1969; Puterman, 1994). Thus, we get

$$\begin{aligned} e_\gamma^\pi(s) &= \sum_{m=1}^{\infty} y_m^\pi(s) = \sum_{m=1}^{\infty} y_{2m}^\pi(s) + y_{2m+1}^\pi(s) = \sum_{m=1}^{\infty} H^{2m+2}h - H^{2m+1}h \\ &= \sum_{m=1}^{\infty} (H^{2m+2} - H^{2m+1})h. \end{aligned}$$

It suffices⁶ to show that $H^{2m+2} - H^{2m+1} < 0$ for all $m \geq 1$ to prove strict monotonicity of $e_\gamma^\pi(s)$. However, this directly follows as for MDPs with at least two states $H - 1 < 0$ in

$$e_\gamma^\pi(s) = \sum_{m=1}^{\infty} (H^{2m+2} - H^{2m+1})h = \sum_{m=1}^{\infty} H^{2m+1}(H - 1)h.$$

Case 2) As the factor $(\frac{1-\gamma}{\gamma})^m$ is < 1 and strictly monotonically decreasing for an increasing $m \geq 1$, we use the same argument as in the previous case (Case 1) with which the claim follows.

Case 3) This part of the proof is open!

Corollary 5. *For any two 0-discount-optimal stationary policies π_1, π_2 with stationary transition matrices P_1 and P_2 respectively, the differences of the slopes of the error terms $e_{\gamma_1}^{\pi_1}(s)$ and $e_{\gamma_2}^{\pi_2}(s)$ for any γ is dependent on H_{π_1} and H_{π_2} and thus P_1 and P_2 solely.*

Proof. Note that due to 0-discount-optimality the bias values $h_1 = h_2$ are equal for both policies. Therefore as for any given H the error term is determined by $e_\gamma^\pi(s) = \sum_{m=1}^{\infty} ((\frac{1-\gamma}{\gamma})^{2m+1} H^{2m+2} - (\frac{1-\gamma}{\gamma})^{2m} H^{2m+1})h = \sum_{m=1}^{\infty} (\frac{1-\gamma}{\gamma})^{2m} H^{2m+1} (\frac{1-\gamma}{\gamma} H - 1)h$ the claim follows directly.

Corollary 6. *The error term function $e_\gamma^\pi(s)$ for $\gamma \rightarrow 1$ and for any given policy π is continuous.*

Proof. The claim follows directly from Corollary 5 and due to the shape of the term $e_\gamma^\pi(s) = \sum_{m=1}^{\infty} (\frac{1-\gamma}{\gamma})^m H^{m+1}h$.

Theorem 7. *If $\rho^\pi(s) > 0$ then $V_\gamma^\pi(s) = \frac{\rho^\pi(s)}{1-\gamma} + V^\pi(s) + e_\gamma^\pi(s)$ is strictly monotonically increasing as γ approaches 1.*

Proof. Due to $\rho^\pi(s) > 0$ and $0 < \gamma < 1$ the term $\frac{\rho^\pi(s)}{1-\gamma}$ strictly monotonically approaches infinity as $\gamma \rightarrow 1$. Furthermore, by Lemma 4 and as $\lim_{\gamma \rightarrow 1} e_\gamma^\pi(s) = 0$ the theorem follows immediately.

⁶ This claim has not been proven yet!

Theorem 8. *If $\rho^\pi(s) \geq 0$ and for γ -values γ_0, γ_1 with $0.5 \leq \gamma_0 < \gamma_1 < 1$ a Blackwell-optimal agent chooses the action a with expected future state s' that maximises the expected⁷ discounted state value difference $\Delta V_\gamma^\pi(s') = V_{\gamma_0}^\pi(s') - V_{\gamma_1}^\pi(s')$ of the set of 0-discount-optimal actions available and for which*

- a) $\frac{\rho}{1-\gamma_0} + V^\pi(s') < V_{\gamma_0}^\pi(s')$ holds, or if no such actions exists, then for which*
- b) $\frac{\rho}{1-\gamma_0} + V^\pi(s') \geq V_{\gamma_0}^\pi(s')$ hold.*

Remark 9. In Theorem 8 we have chosen to base the decision on the values generated with γ_0 as the error term is greater with smaller γ -values.

Proof. First observe that due to strict monotonicity of $\frac{\rho^\pi(s')}{1-\gamma}$ and $e_\gamma^\pi(s')$ and as $\lim_{\gamma \rightarrow 1} e_\gamma^\pi(s') = 0$ the discounted state values $V_\gamma^\pi(s')$ and the sum of average reward values $\frac{\rho^\pi(s')}{1-\gamma} + V^\pi(s')$ converge with increasing γ . Thus for any state s' either $e_\gamma^\pi(s') > 0$ or $e_\gamma^\pi(s') < 0$ for all γ -values. That is $V_\gamma^\pi(s')$ converges to $\frac{\rho^\pi(s')}{1-\gamma} + V^\pi(s')$ for $\gamma \rightarrow 1$ from above or below. Clearly just considering the slope of the error term is insufficient as for any states s_1, s_2 it may happen to be that $e_{\gamma_1}^\pi(s_1) > 0$ while $e_{\gamma_1}^\pi(s_2) < 0$. Thus we split the decision in cases, where in case a) we consider all states s_1 with $e_{\gamma_1}^\pi(s_1) > 0$ and in case b) we states s_2 with $e_{\gamma_1}^\pi(s_2) < 0$. Note that $e_{\gamma_1}^\pi(s_1) > e_{\gamma_0}^\pi(s_1)$ which explains the prioritisation of case a) over case b).

Within these two sets of states we investigate the slopes of the error term.

[MS: Todo: Show that two points are sufficient for a proxy of the slope.]

Thus the slope can be approximated by

$$\frac{\Delta V_\gamma^\pi(s)}{\Delta \gamma} = \frac{e_{\gamma_1}(s) - e_{\gamma_0}(s)}{\gamma_1 - \gamma_0}.$$

As $\gamma_1(s) - \gamma_0(s)$ is constant the difference of the error terms $e_{\gamma_1}(s) - e_{\gamma_0}(s)$ is sufficient to compare the slopes of the error term and can be computed by

$$e_{\gamma_1}(s) - e_{\gamma_0}(s) = \frac{\rho^\pi(s)}{1-\gamma_1} - \frac{\rho^\pi(s)}{1-\gamma_0} - V_{\gamma_1}^\pi(s) + V_{\gamma_0}^\pi(s). \quad (4)$$

However, as all possible future states are gain-optimal $\rho^\pi(s)$ is equal for all states s under consideration. Therefore, the difference $V_{\gamma_0}^\pi(s) - V_{\gamma_1}^\pi(s)$ suffices for comparison purposes between any two states s_1, s_2 :

$$e_{\gamma_1}(s_1) - e_{\gamma_0}(s_1) - e_{\gamma_1}(s_2) + e_{\gamma_0}(s_2) = V_{\gamma_0}^\pi(s_1) - V_{\gamma_1}^\pi(s_1) - V_{\gamma_0}^\pi(s_2) + V_{\gamma_1}^\pi(s_2).$$

Then due to Corollaries 5 and 6 we conclude that $\lim_{\gamma \rightarrow 1} (1-\gamma)^{-n} (V_\gamma^{\pi^*}(s) - V_\gamma^\pi(s)) \geq 0$, where γ is the discount factor and $V_\gamma^\pi(s)$ the value function.

⁷ To ease readability and as we aim for model-free RL we have dropped the expectations in the formulas.

Remark 10. Note that this means a Blackwell-optimal agent collects the rewards as soon as possible, as it maximises the error term $e_\gamma^\pi(s)$.

Thus under the assumption of correct approximations and by strict monotonicity of e_γ^π we conclude Blackwell optimality of the algorithm. Figure 5 visualises the discounted state values and the idea of estimating the slope of $e_\gamma^\pi(s)$ in comparison to $\frac{\rho^\pi(s)}{1-\gamma} + V^\pi(s)$.

A.4 Refinements

The main limitation of the straightforward approach of Theorem 8 is that it requires accurate estimations of the bias values when splitting the actions into the two sets with increasing and decreasing error term value. However, to be able to estimate $V^\pi(s)$ accurately enough one usually has to go through a tedious process of investigating many different parameterisations, which is a cumbersome task, especially if the correct values are not known. Furthermore, the process of finding the correct values is computationally very expensive in comparison to finding the deviations between any two values.

Therefore, we have developed another approach of selecting the best possible action which does not depend on correct bias values. In this approach we utilise Equation 4 which allows a determination of the slope simply by rectifying the additional slope imposed due to the term $\frac{\rho^\pi(s)}{1-\gamma}$. As $V_\gamma^\pi(s)$ and $\rho^\pi(s)$ are computationally cheap they can be usually accurately computed.

Therefore in the implementation we propose to replace Theorem 8 by following the following one.

Theorem 11. *If $\rho^\pi(s) \geq 0$ and for γ -values γ_0, γ_1 with $0.5 \leq \gamma_0 < \gamma_1 < 1$ a Blackwell-optimal agent chooses the action a with expected future state s' that maximises the expected error term difference $\Delta e_{\gamma_1, \gamma_0}^\pi(s') = V_{\gamma_1}^\pi(s') - V_{\gamma_0}^\pi(s') - \rho^\pi(s')(\frac{1}{1-\gamma_1} - \frac{1}{1-\gamma_0})$ of the set of 0-discount-optimal actions available and for which*

- a) $\Delta e_{\gamma_1, \gamma_0}^\pi(s') < 0$ holds, or if no such actions exists, then for which
- b) $\Delta e_{\gamma_1, \gamma_0}^\pi(s') \geq 0$ hold.

Proof. We have for any state s' either $e_\gamma^\pi(s') > 0$ or $e_\gamma^\pi(s') < 0$ for all γ -values (see proof of Theorem 8). Therefore, by definition states s' with $e_{\gamma_1, \gamma_0}^\pi(s') < 0$ have a decreasing error term value. As $e_{\gamma_1, \gamma_0}^\pi(s')$ is a direct measure for the slope of the error term, and by the characteristics on the term specified in Corollaries 5 and 6, we can conclude that the maximum expected error term difference for negative values of $e_{\gamma_1, \gamma_0}^\pi(s')$ impose the greatest $V_\gamma^\pi(s')$ when $\gamma \rightarrow 1$. The proof for $e_{\gamma_1, \gamma_0}^\pi(s') \geq 0$ follows the same argument. Therefore, the Theorem provides a way to find the policy π^* with $\lim_{\gamma \rightarrow 1} (1-\gamma)^{-n} \cdot (e_{\gamma}^{\pi^*}(s') - e_\gamma^\pi(s')) > 0$ for any other policy π . \square

B Bellman Optimality Formulas and Derivations (Incomplete)

Bellman optimality equations for the average reward.

$$\begin{aligned}
V^*(s) &= \max_{a \in A(s)} R^{\pi^*}(s, a) \\
&= \max_{a \in A(s)} \mathbb{E}_{\pi^*} \left[\sum_{t=0}^{\infty} (R_t(s) - \rho^{\pi^*}(s)) \mid s = s_t, a_t = a \right] \\
&= \max_{a \in A(s)} \mathbb{E}_{\pi^*} \left[R_0(s) - \rho^{\pi^*}(s) + \sum_{t=0}^{\infty} (R_t(s_{t+1}) - \rho^{\pi^*}(s_{t+1})) \mid s = s_t, a_t = a \right] \\
&= \max_{a \in A(s)} \mathbb{E}_{\pi^*} [R_0(s) - \rho^{\pi^*}(s) + V^*(s_{t+1}) \mid s = s_t, a_t = a] \\
&= \max_{a \in A(s)} (r(s, a) - \rho^{\pi^*}(s) + \sum_{s_{t+1}} p(s_{t+1} \mid s, a) \cdot V^*(s_{t+1}))
\end{aligned}$$

The value of an action in a given state must equal the expected return for following an optimal policy from that state:

$$\begin{aligned}
R^*(s, a) &= \mathbb{E}[r(s, a) - \rho^{\pi^*}(s) + V^*(s_{t+1}) \mid s = s_t, a = a_t] \\
&= r(s, a) - \rho^{\pi^*}(s) + \mathbb{E} \left[\max_{a_{t+1} \in A(s_{t+1})} R^*(s_{t+1}, a_{t+1}) \mid s = s_t, a = a_t \right] \\
&= r(s, a) - \rho^{\pi^*}(s) + \sum_{s_{t+1}} p(s_{t+1} \mid s, a) \left(\max_{a_{t+1} \in A(s_{t+1})} R^*(s_{t+1}, a_{t+1}) \right)
\end{aligned}$$

Bellman optimal equations for the bias value.

$$\begin{aligned}
W^*(s) &= \mathbb{E}[R_t(s) + V^*(s_{t+1}) \mid s = s_t, a = a_t] \\
&= \mathbb{E}[R_t(s) + \max_{a_{t+1} \in A(s_{t+1})} R^*(s_{t+1}, a_{t+1}) \mid s = s_t, a = a_t]
\end{aligned}$$

$$\begin{aligned}
W^*(s, a) &= \mathbb{E}[r(s, a) + V^*(s_{t+1}) \mid s = s_t, a = a_t] \\
&= r(s, a) + \mathbb{E} \left[\max_{a_{t+1} \in A(s_{t+1})} R^*(s_{t+1}, a_{t+1}) \mid s = s_t, a = a_t \right] \\
&= r(s, a) + \sum_{s_{t+1}} p(s_{t+1} \mid s, a) \left(\max_{a_{t+1} \in A(s_{t+1})} R^*(s_{t+1}, a_{t+1}) \right)
\end{aligned}$$

Difference R_{n+1} to W_{n+1} ?