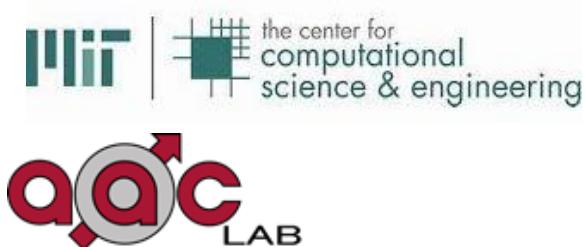


Local retail electricity markets for distribution grid services

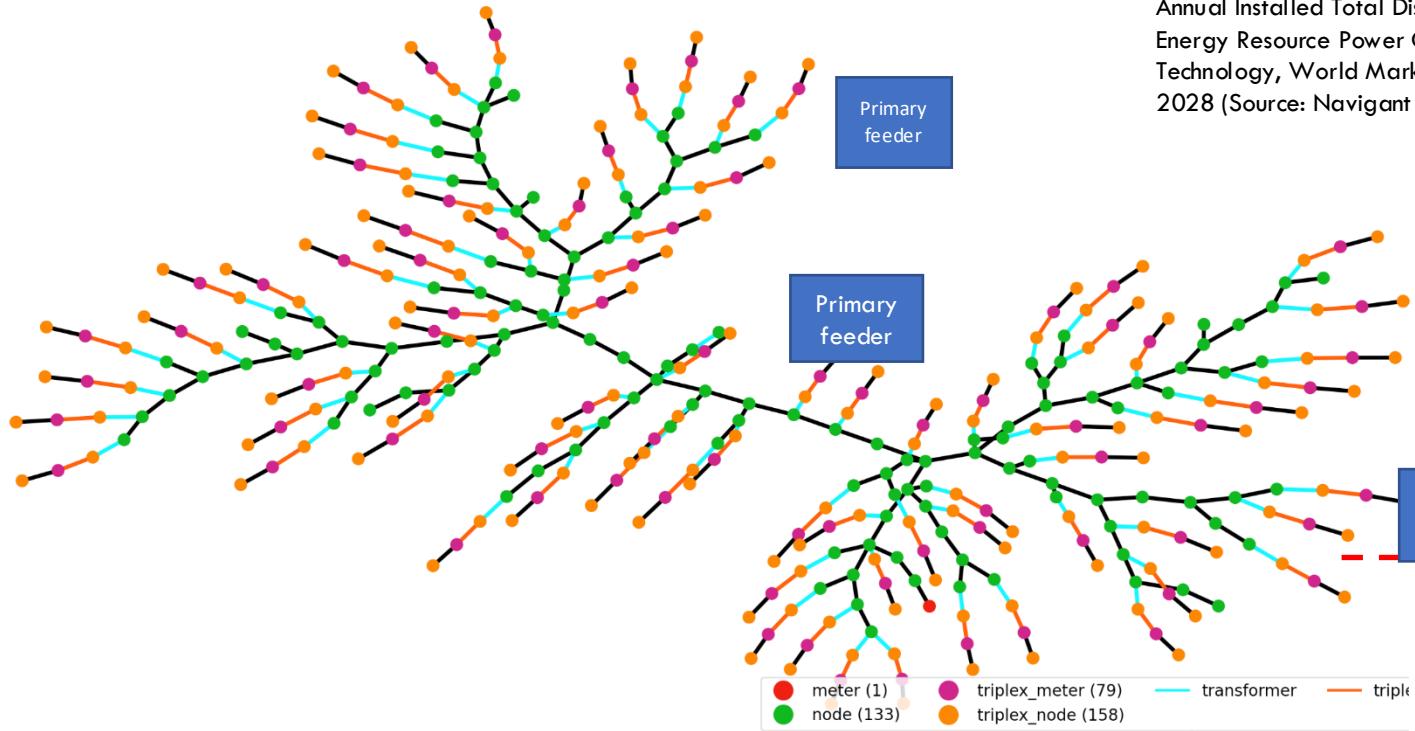
Wednesday, August 16, 2023

Vineet J Nair, Anuradha Annaswamy
jvineet9@mit.edu

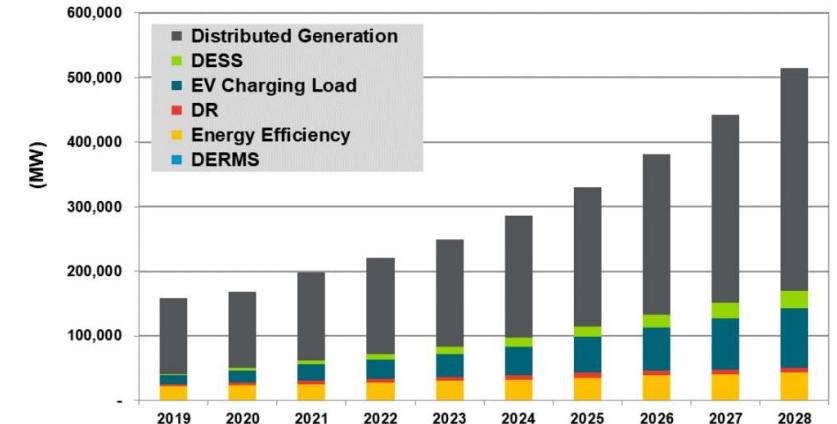
Active-Adaptive Control Laboratory
Department of Mechanical Engineering, MIT



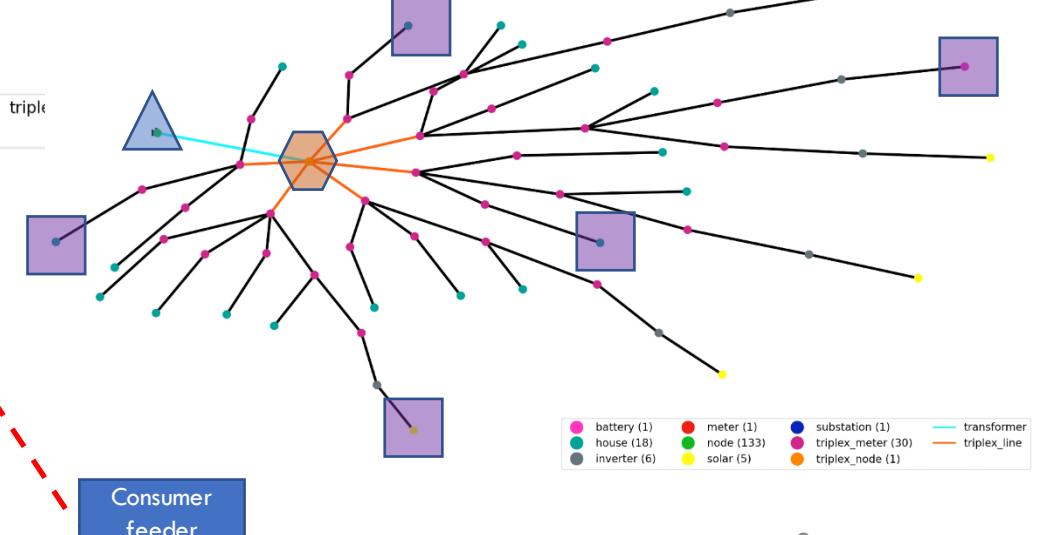
Optimization challenging with billions of end-point control



Annual Installed Total Distributed Energy Resource Power Capacity by Technology, World Markets: 2019-2028 (Source: Navigant Research)



Increasing DER penetration



Typical distribution grid with many distributed energy resources (DER)
(modified IEEE-123 node feeder)

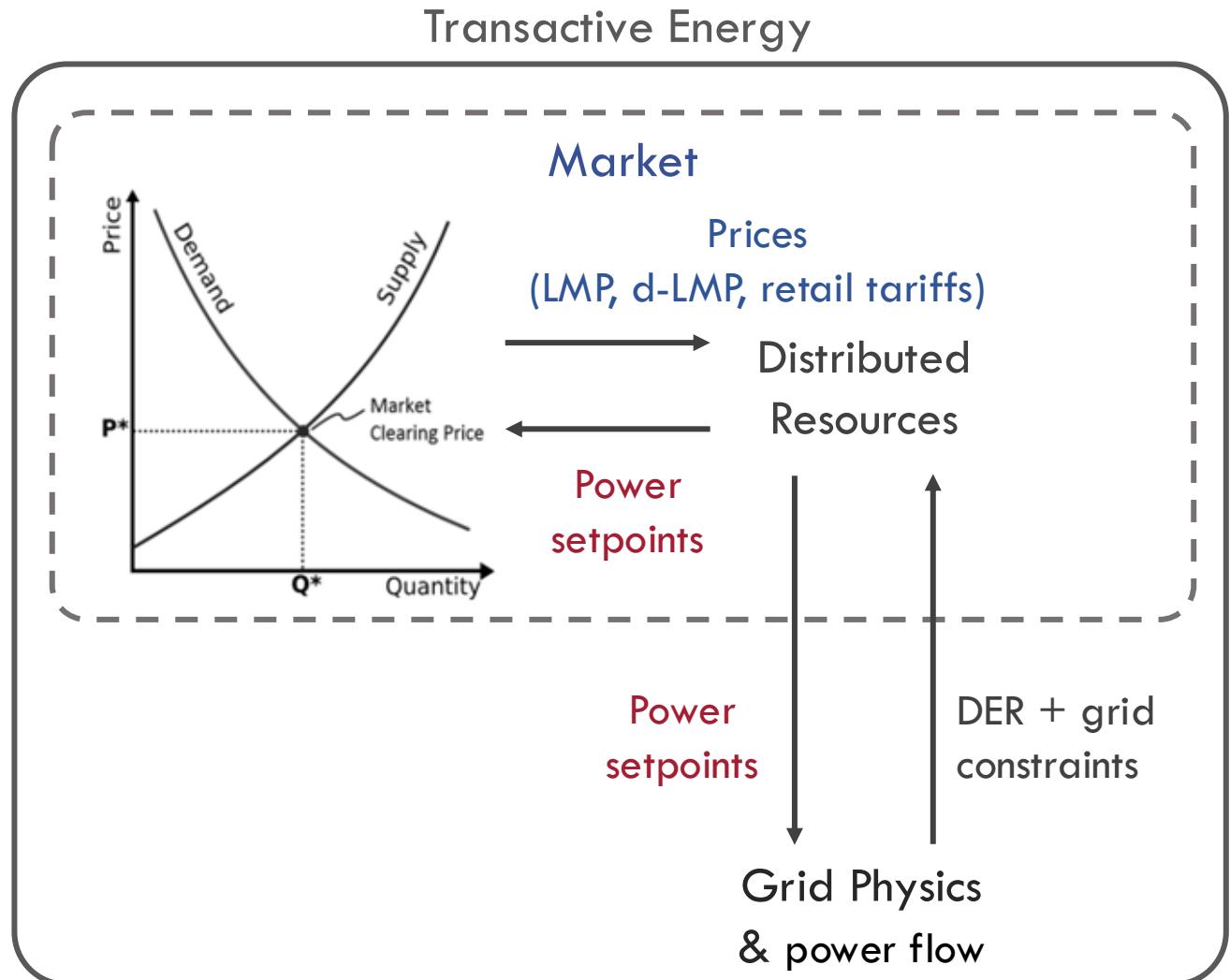
Source: PNNL Gridlab-D Modeling Team

Overall approach based on Transactive Energy

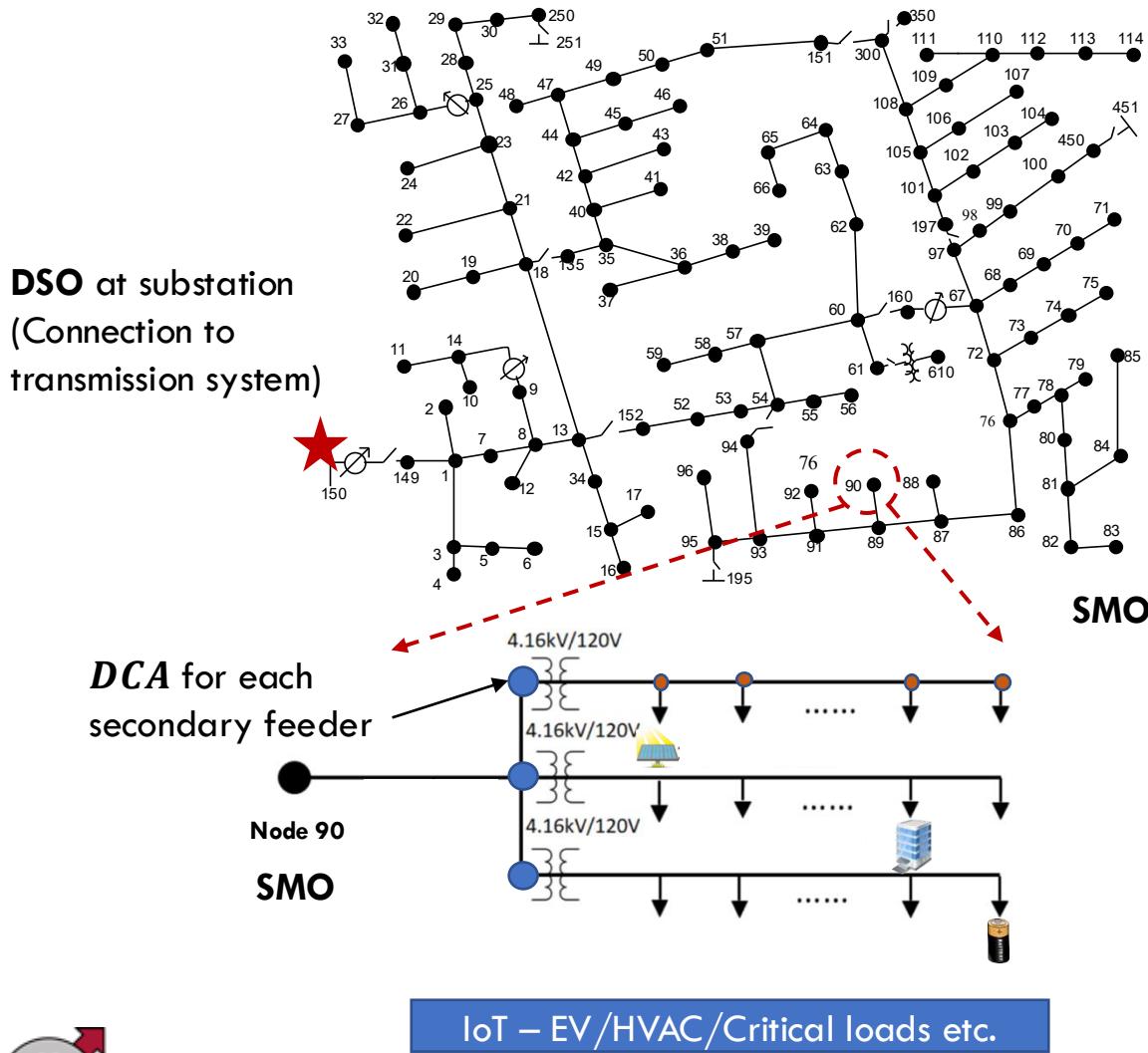
Transactive Energy uses service-based **value of power** to influence desired behaviours from various **autonomous, independent agents** at the grid edge, at fast timescales

Efficient integration of Distributed Energy Resources possible with a transactive design:

- Flexible loads (thermostats, water heaters)
- Distributed generation (rooftop solar, wind)
- Storage (EVs, batteries)



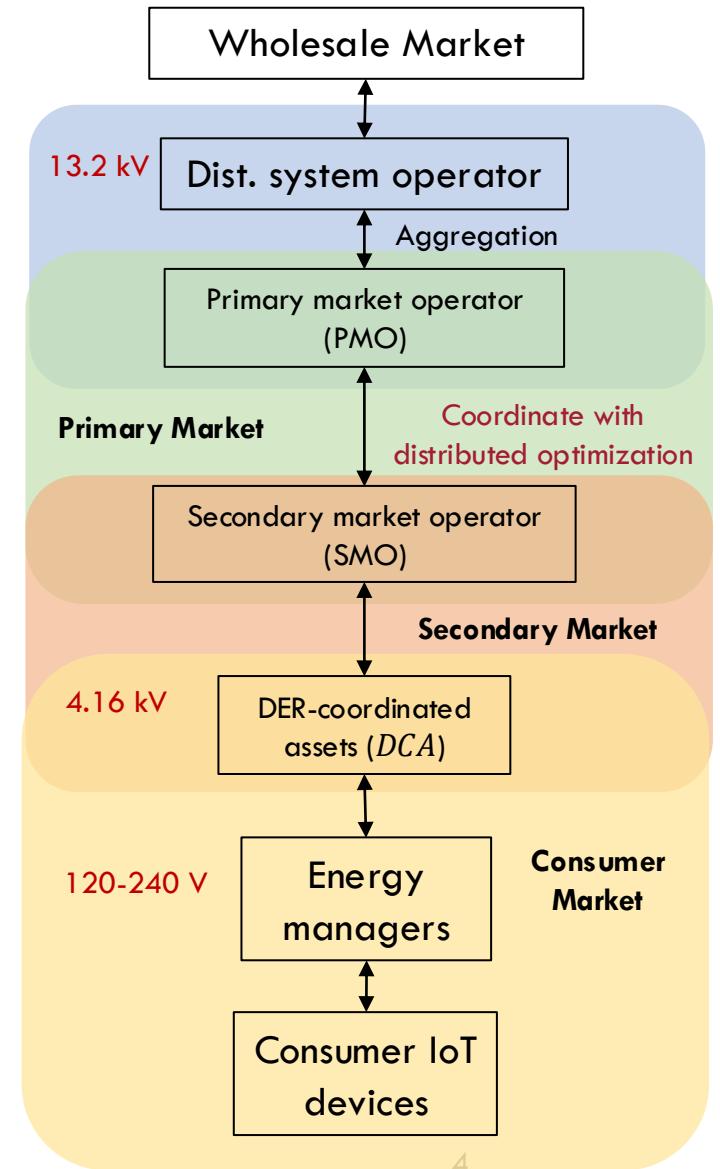
A suite of hierarchical local electricity markets (LEM)



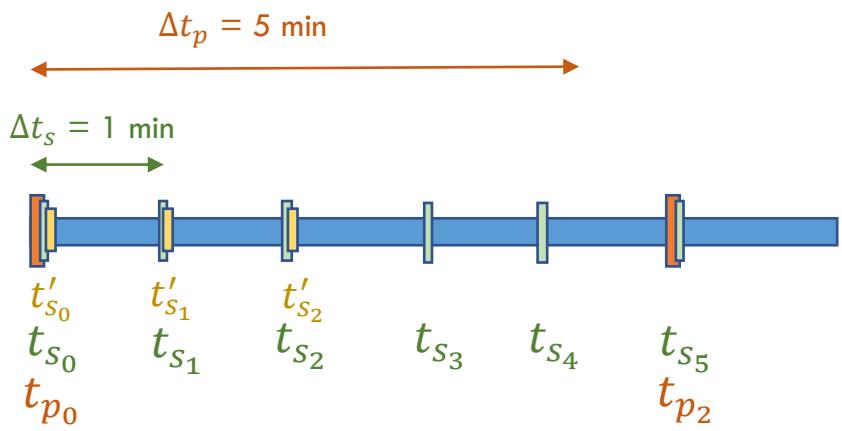
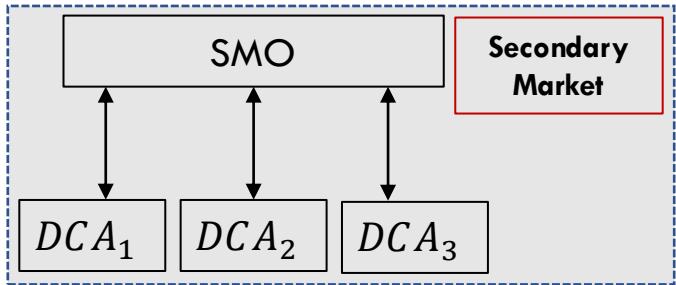
Primary feeder radial distribution network

PMO for each primary feeder

SMO for each primary feeder node

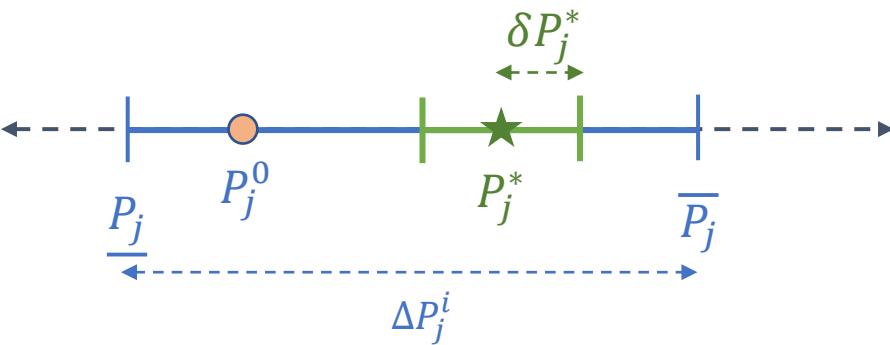
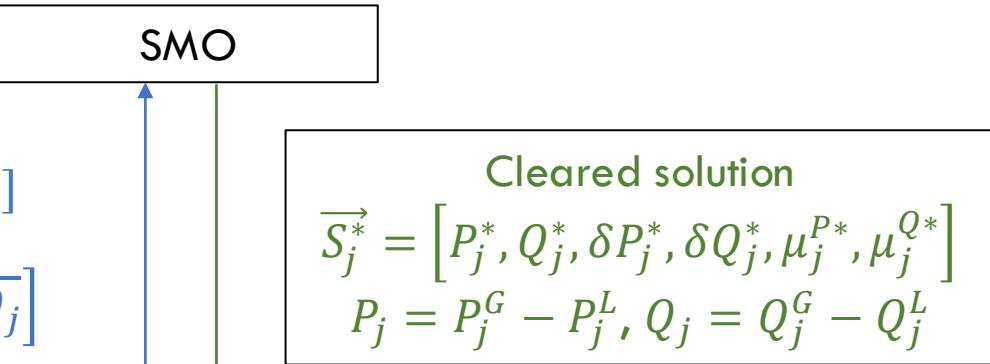


Secondary market: Flexibility in bids



$$\text{Bid } \vec{B}_j = [P_j^0, Q_j^0, \Delta P_j, \Delta Q_j]$$

$$\Delta P_j = [P_j, \bar{P}_j], \Delta Q_j = [Q_j, \bar{Q}_j]$$



1. t_{s_0} : **Bidding** for $[t_{s_0}, t_{s_1}]$ period based on load/generation forecasts
2. t'_{s_0} : **Scheduling** (market clearing) for $[t_{s_0}, t_{s_1}]$
3. t_{s_1} : **Settlements** (financial transactions) for $[t_{s_0}, t_{s_1}]$

SM constraints

- Operational active (and reactive) power limits: $\delta P_j, \delta Q_j \geq 0$

$$\underline{P}_j + \delta P_j \leq P_j \leq \overline{P}_j - \delta P_j, \underline{Q}_j + \delta Q_j \leq Q_j \leq \overline{Q}_j - \delta Q_j$$

- Real-time tariff constraints: $0 \leq \mu_j^P, \mu_j^Q \leq \bar{\mu}$

- Power balance between lower (SMO) & upper (PMO) levels:

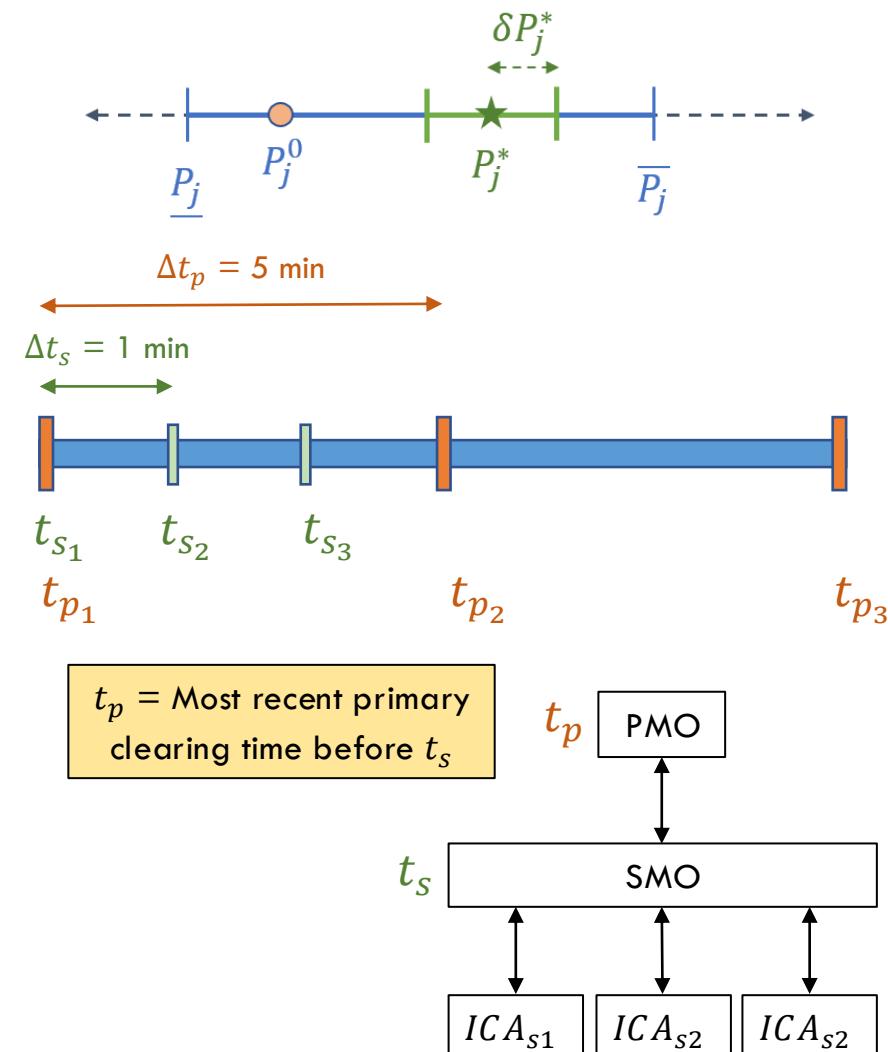
$$\sum_j P_j(t_s) = P^*(t_p), \sum_j Q_j(t_s) = Q^*(t_p)$$

- Budget constraint: SMO must break-even over a time horizon

$$\sum_{t_p} \sum_{t_s} \sum_j (\mu_j^P P_j + \mu_j^Q Q_j) \Delta t_s \leq \sum_{t_p} (\mu^P P^* + \mu^Q Q^*) \Delta t_p$$

- Commitment score $0 \leq C_j \leq 1$ measures reliability

- Reward (or penalize) DCAs for fulfilling (or violating) contracts



Secondary market: Optimization problem

- SMO i maximizes social welfare
- Multi-objective, constrained optimization at each time instant

$$\min_{\vec{S}_j^i} \sum_{j \in \mathcal{N}_{J,i}} \{f_{j,1}^i, f_{j,2}^i, f_{j,3}^i, f_{j,4}^i\}$$

$$f_{1,j}^i \succ f_{2,j}^i \succ f_{3,j}^i \succ f_{4,j}^i$$

$$f_{j,1}^i = -C_j^i((P_j^i - P_j^{i0})^2 + (Q_j^i - Q_j^{i0})^2)$$

Allocate larger share of flexibility to more reliable assets

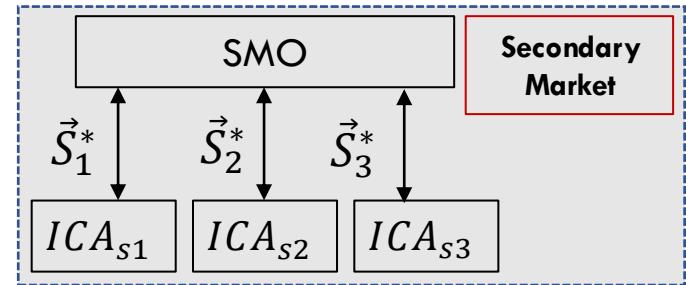
$$f_{j,2}^i = \mu_j^{iP} P_j^i + \mu_j^{iQ} Q_j^i$$

$$f_{j,3}^i = -(\delta P_j^i + \delta Q_j^i)$$

$$f_{j,4}^i = \beta_j^{iP} (P_j^i - P_j^{i0})^2 + \beta_j^{iQ} (Q_j^i - Q_j^{i0})^2$$

- Maximize aggregate reliability
- Minimize net cost to SMO
- Maximize aggregate flexibility
- Minimize disutility to ICA_{sj}

- Use hierarchical approach to solve multi-objective problem
- Successively optimize each objective in descending order of importance



$$\min_{\vec{S}_j^i} F_k = \sum_{j \in \mathcal{N}_{J,i}} f_{j,k}^i(\vec{S}_j^i) \quad \forall k = 1, 2, 3, 4$$

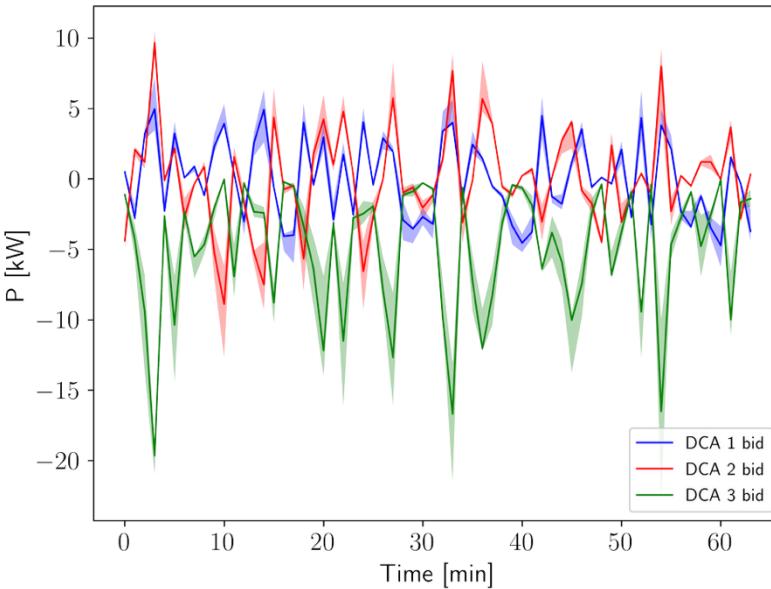
$$\text{s.t. } f_{j,\ell}^i(\vec{S}_j^i) \leq (1 + \epsilon) \sum_{j \in \mathcal{N}_{J,i}} f_{j,\ell}^i(\vec{S}_j^{i*}) = (1 + \epsilon) F_\ell^*,$$

$$\forall \ell = 1, 2, \dots, k-1, \quad k > 1$$

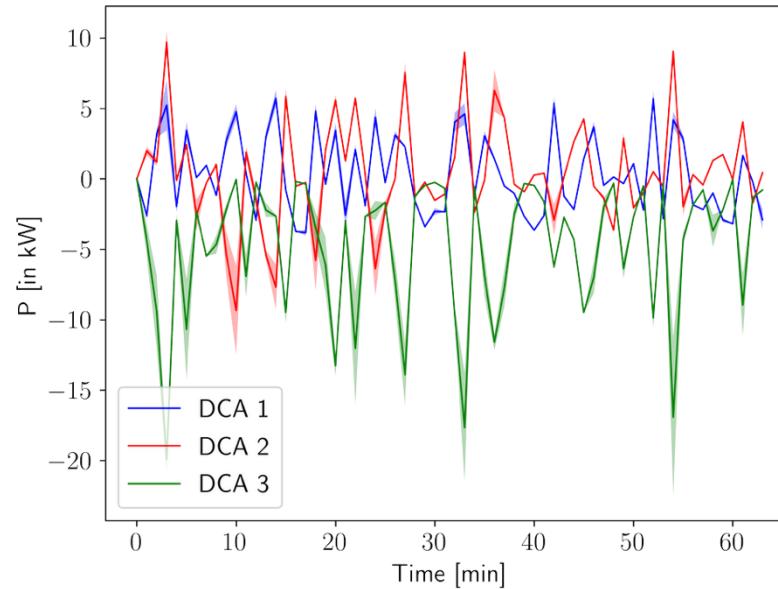
and all other constraints

Secondary market (SM) clearing & scheduling

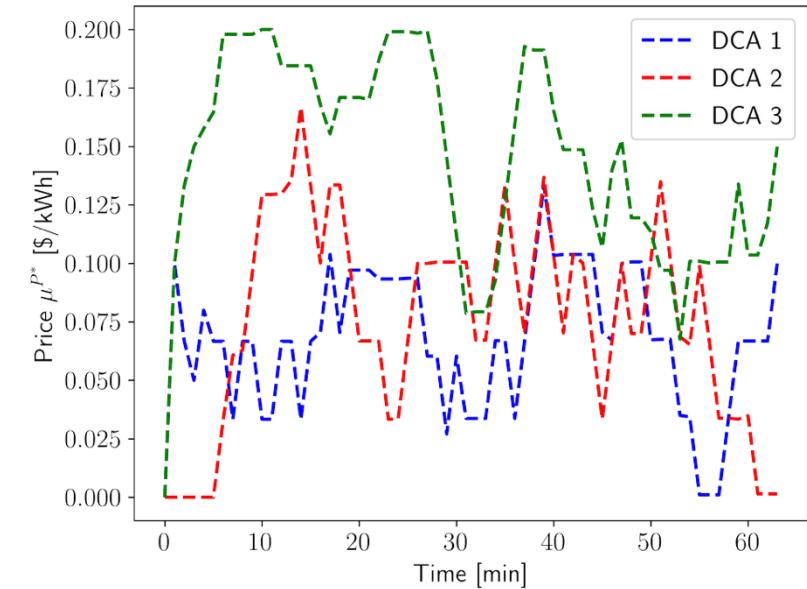
DCA bids into SM at node 7



DCA schedules from SMO 7

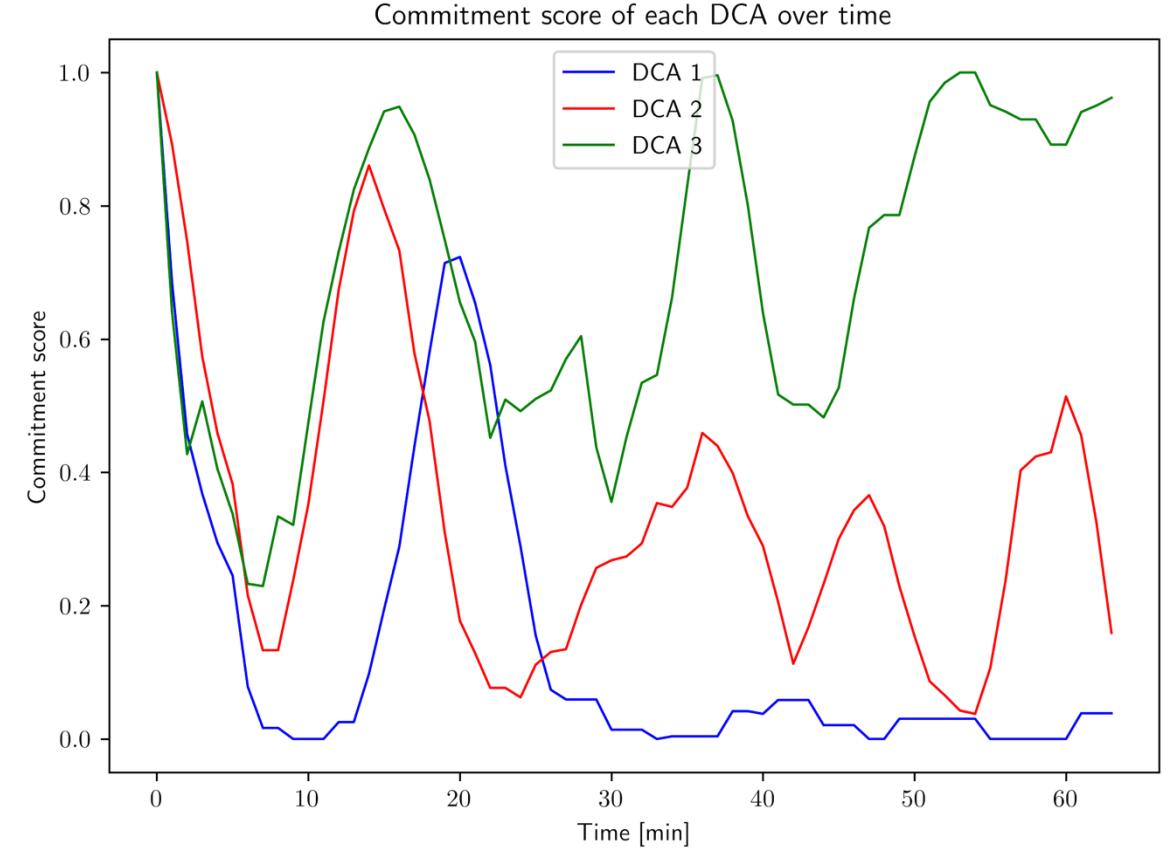
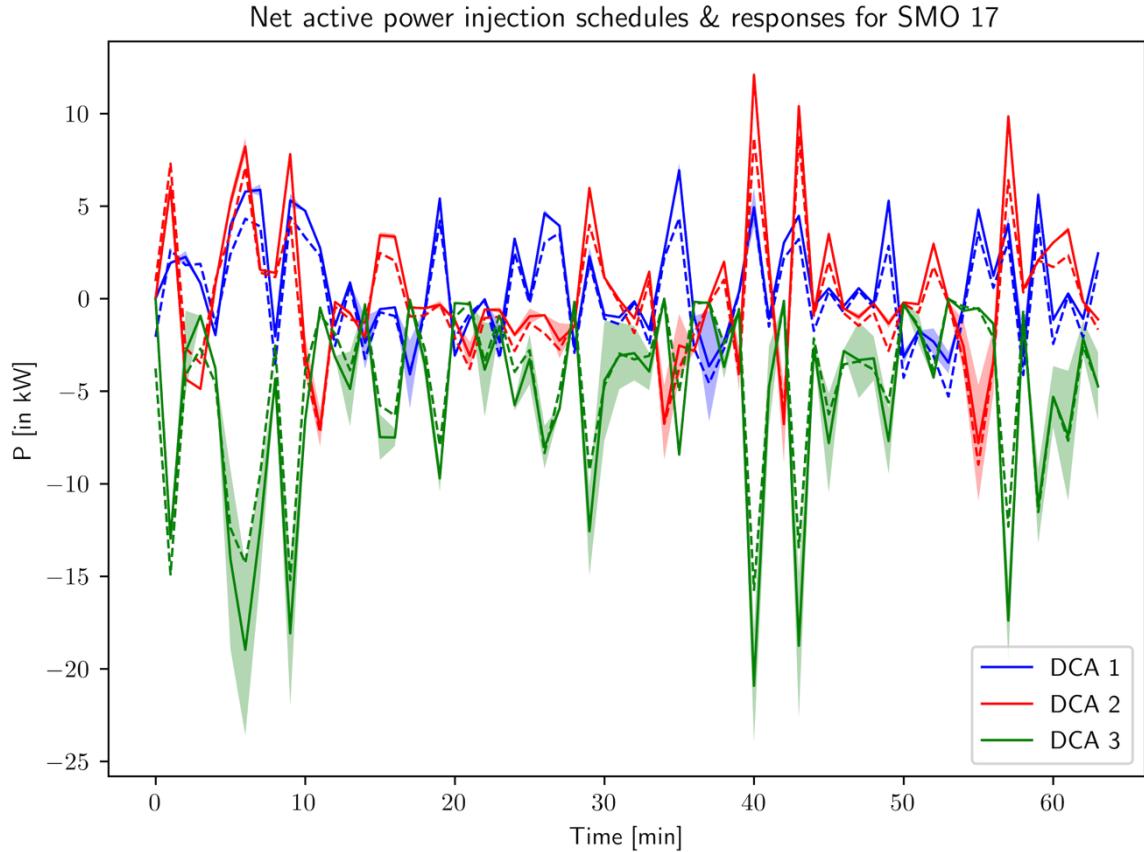


Local retail tariffs



Weighted rolling mean to reduce price volatility while ensuring budget balance: $\widetilde{\mu}_j^P = \frac{\sum_{t_s}^{t_s + \Delta t_p} \mu_j^P p_j}{\sum_{t_s}^{t_s + \Delta t_p} p_j} \quad \forall \text{ DCA } j$

Actual responses of DCAs → Update commitment scores



Connecting secondary market to primary

- Extend secondary market to unbalanced case → Model all variables as 3-phase
- Before each primary clearing period, SMO i aggregates 3-phase schedules across all its DCA_j^i from latest secondary clearing
- SMO uses this combined solution to bid into primary market

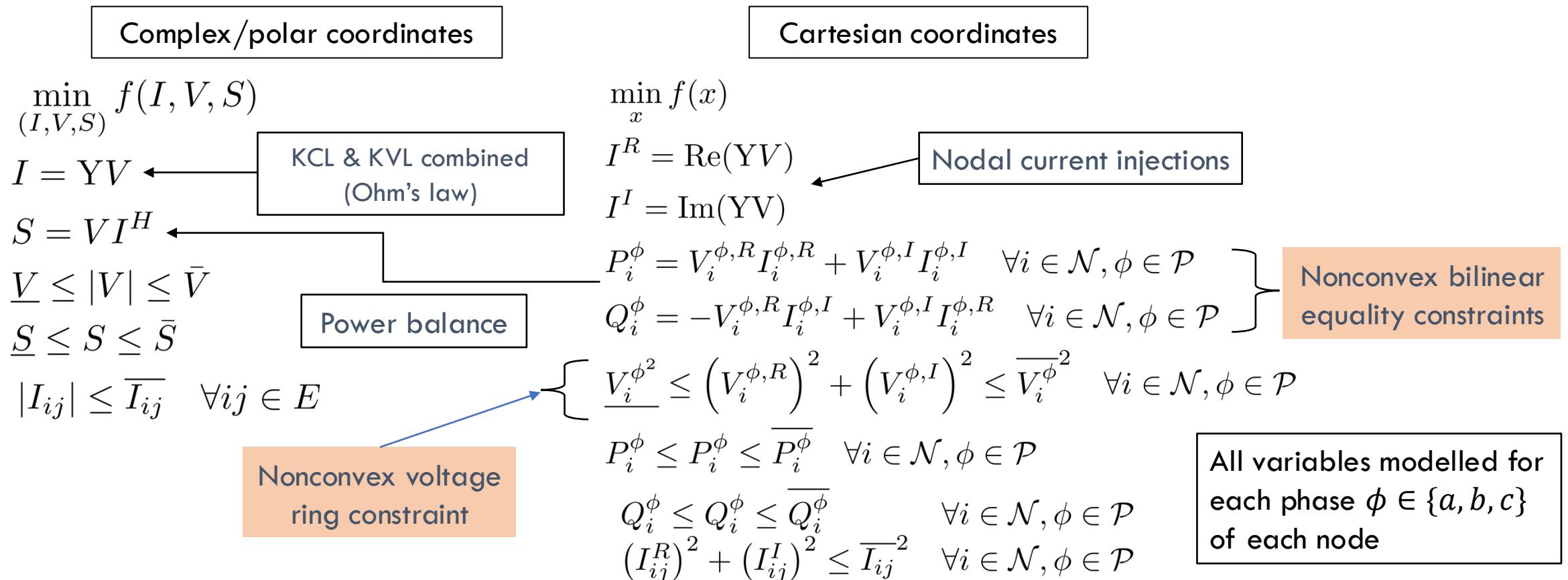
$$P_i^{\phi,0}(t_p) = \sum_{j \in \mathcal{N}_{J,i}} P_j^{i,\phi^*}(t_p) \quad \forall \phi \in \{a, b, c\}$$

$$\Delta P_i^\phi = \left[\underline{P}_i^\phi, \overline{P}_i^\phi \right] = \left[\sum_{j \in \mathcal{N}_{J,i}} P_j^{i,\phi^*} - \delta P_j^{i,\phi^*}, \sum_{j \in \mathcal{N}_{J,i}} P_j^{i,\phi^*} + \delta P_j^{i,\phi^*} \right]$$

- Given bids → Solve ACOPF at primary level using dual ascent-based distributed proximal atomic coordination (PAC) algorithm

Current Injection (CI) model

For unbalanced, multiphase, radial/meshed distribution networks



Ferro, G. (2020). Competitive and Cooperative Approaches to the Balancing Market in Distribution Grids (Doctoral dissertation, PhD thesis, Universita degli studi di Genova).

Ferro, G. et al. (2020). A distributed approach to the Optimal Power Flow problem for unbalanced and mesh networks. 21st IFAC World Congress, 2020.

*Ferro, G. et al. (2022). A Current Injection Based Method for Unbalanced and Meshed Distribution Networks. Under preparation.

CI model: McCormick envelopes (MCE) convex relaxation

$$P_j = \operatorname{Re}(V_j I_j^*) = \operatorname{Re}(V_j) \operatorname{Re}(I_j) + \operatorname{Im}(V_j) \operatorname{Im}(I_j)$$

$$Q_j = \operatorname{Im}(V_j I_j^*) = -\operatorname{Re}(V_j) \operatorname{Im}(I_j) + \operatorname{Im}(V_j) \operatorname{Re}(I_j)$$

Consider bilinear form: $w = xy$

Defined over set: $S \subset \mathbb{R}^3 = \{x, y : x \in [\underline{x}, \bar{x}], y \in [\underline{y}, \bar{y}]\}$

Then we introduce a new variable, w , and we define MCE envelope as:

$$(5a) w \geq \underline{xy} + \bar{xy} - \underline{xy}$$

$$(5b) w \geq \bar{xy} + \underline{xy} - \bar{xy}$$

$$(5c) w \geq \underline{xy} + \bar{xy} - \underline{xy}$$

$$(5d) w \geq \bar{xy} + \underline{xy} - \bar{xy}$$

Thus, we can relax the power balance constraints as:

$$P = a + b$$

$$Q = -c + d$$

$$\underline{V^R} \leq V_r \leq \bar{V^R}$$

and

$$\underline{V^I} \leq V^I \leq \bar{V^I}$$

$$\underline{I^R} \leq I_r \leq \bar{I^R}$$

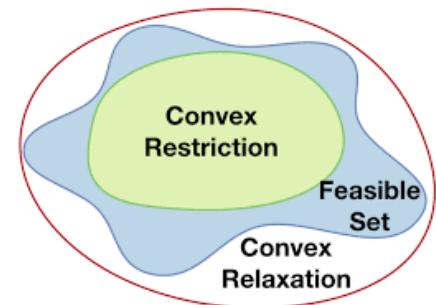
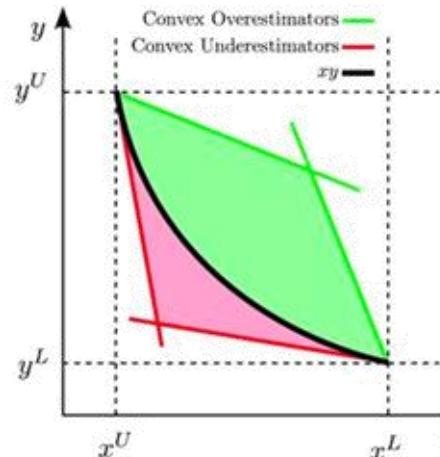
and

$$\underline{I^I} \leq I^I \leq \bar{I^I}$$

Iterative preprocessing
to set tight V & I bounds



More accurate
convex relaxation



And corresponding MCE constraints on $\{a, b, c, d\}$

Apply 3-phase PM + SM for primary voltage regulation

1. Regulate voltage about set points:

$$|V| = 1 \text{ p.u.} \rightarrow V_i^{\phi,R^*} = 1, V_i^{\phi,I^*} = 0$$

$$f^{Volt,\phi}(x) = \sum_{i \in \mathcal{I}} \sum_{\phi \in \mathcal{P}} \left[\left(V_i^{\phi,R} - V_i^{\phi,R^*} \right)^2 + \left(V_i^{\phi,I} - V_i^{\phi,I^*} \right)^2 \right]$$

2. Minimize line losses

$$f^{Loss,\phi}(x) = \sum_{ij \in \mathcal{E}} \sum_{\phi \in \mathcal{P}} R_{ij} |I_{ij}^{\phi}|^2 = R_{ij} \left(I_{ij}^{\phi,R^2} + I_{ij}^{\phi,I^2} \right)$$

3. Minimize disutility

$$f^{Disutil,\phi}(x) = \beta_i^P (P_i^{L,\phi} - P_i^{L0,\phi})^2 + \beta_i^Q (Q_i^{L,\phi} - Q_i^{L0,\phi})^2$$

4. Minimize generation costs

$$f^{Volt,\phi}(x) = \sum_{i \in \mathcal{I}} \sum_{\phi \in \mathcal{P}} \begin{cases} \alpha_i^{P,\phi} P_i^{G,\phi} + \alpha_i^{Q,\phi} Q_i^{G,\phi}, \\ \lambda_i^P P_i^{G,\phi} + \lambda_i^Q Q_i^{G,\phi}, \end{cases} \quad \text{if } i \text{ is PCC}$$

Overall social welfare
objective function

$$\begin{aligned} \min_y f^{S-W}(x) = & w_1 f^{Disutil,\phi}(x) + w_2 f^{Gen-Cost,\phi}(x) \\ & + w_3 f^{Volt,\phi}(x) + w_4 f^{Loss,\phi}(x) \end{aligned}$$

- Mult-objective optimization
 $w_1 + w_2 + w_3 + w_4 = 1, 0 \leq w_i \leq 1$
- All quantities (P, Q, V, I, R) in p.u.
→ Similar magnitude terms
- Adjust relative weights based on priority
- Can extend to other grid service applications
e.g. Conservation voltage reduction (CVR)

Accurately pricing different grid services

Dual variables of equality constraints

→ Decompose distribution locational marginal price (dLMP)

$$\min_x f(x)$$

KCL & KVL combined (Ohm's law) $\left\{ \begin{array}{l} I^R = \text{Re}(YV) \\ I^I = \text{Im}(YV) \end{array} \right\}$ Value of voltage support $\text{Re}(\lambda_V)$ $I = YV$ complex

Power balance $\left\{ \begin{array}{l} P_i^\phi = V_i^{\phi,R} I_i^{\phi,R} + V_i^{\phi,I} I_i^{\phi,I} \quad \forall i \in \mathcal{N}, \phi \in \mathcal{P} \\ Q_i^\phi = -V_i^{\phi,R} I_i^{\phi,I} + V_i^{\phi,I} I_i^{\phi,R} \quad \forall i \in \mathcal{N}, \phi \in \mathcal{P} \end{array} \right\}$ P & Q “energy” prices λ_P, λ_Q

$$\underline{V_i^\phi} \leq (V_i^{\phi,R})^2 + (V_i^{\phi,I})^2 \leq \overline{V_i^\phi}^2 \quad \forall i \in \mathcal{N}, \phi \in \mathcal{P}$$
$$P_i^\phi \leq \overline{P_i^\phi} \quad \forall i \in \mathcal{N}, \phi \in \mathcal{P}$$
$$Q_i^\phi \leq \overline{Q_i^\phi} \leq \overline{Q_i^\phi} \quad \forall i \in \mathcal{N}, \phi \in \mathcal{P}$$
$$(I_{ij}^R)^2 + (I_{ij}^I)^2 \leq \overline{I_{ij}}^2 \quad \forall i \in \mathcal{N}, \phi \in \mathcal{P}$$

Price decomposition → Value of grid services

$$\mathcal{L} = f^{obj}(x) + \lambda_P^\top P_{balance} + \lambda_Q^\top Q_{balance} + \lambda_I^\top (I - YV) + \lambda_{ineq}^\top (RHS_{ineq} - LHS_{ineq})$$

$$\begin{aligned}\lambda_I^\top (I - YV) &\equiv \lambda_V^\top (ZI - V) = \lambda_V^\top (Y^{-1}I - Y^{-1}YV) = \lambda_V^\top Y^{-1}(I - YV) \\ \implies \lambda_I^\top &= \lambda_V^\top Y^{-1} \implies \lambda_V = Y^\top \lambda_I\end{aligned}$$

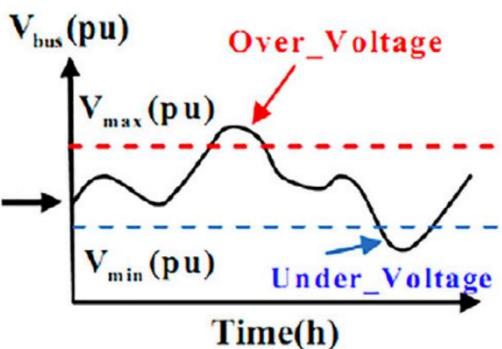
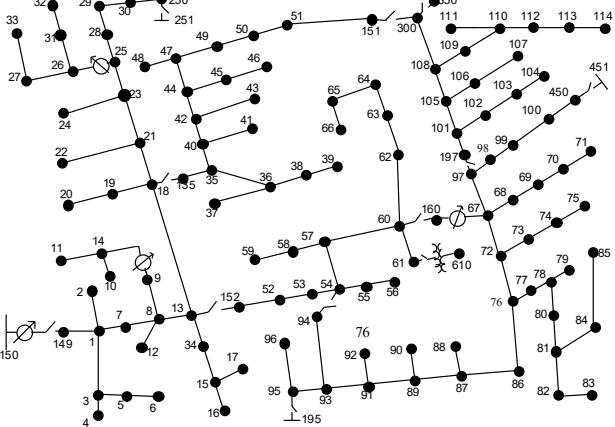
$$\frac{\partial \mathcal{L}}{\partial V} = \frac{\partial f^{obj}(x)}{\partial V} - \lambda_I^\top Y = \frac{\partial f^{obj}(x)}{\partial V} - \lambda_V$$

$$\text{At optimality } \frac{\partial \mathcal{L}}{\partial V^*} = \frac{\partial f^{obj}}{\partial V^*} - \lambda_V = 0 \implies \frac{\partial f^{obj}}{\partial V^*} = \lambda_V^* \quad \boxed{\quad}$$

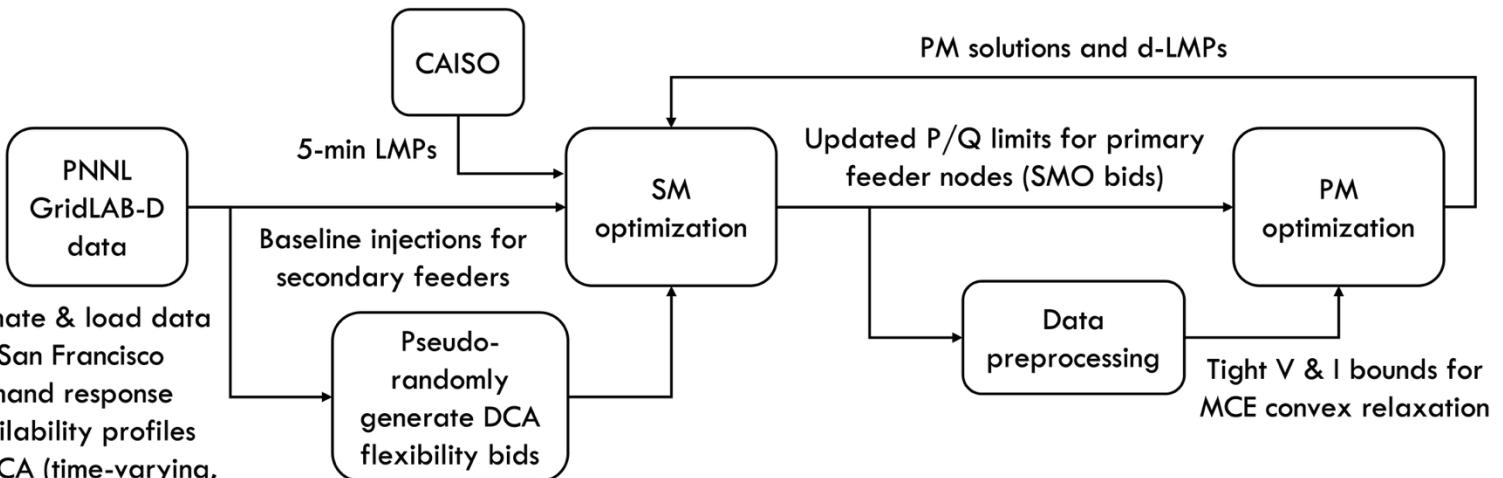
Cost of satisfying voltage constraints (in terms of degrading objective function)

Co-simulation of primary + secondary markets

Data from modified
IEEE-123 GridLAB-D model



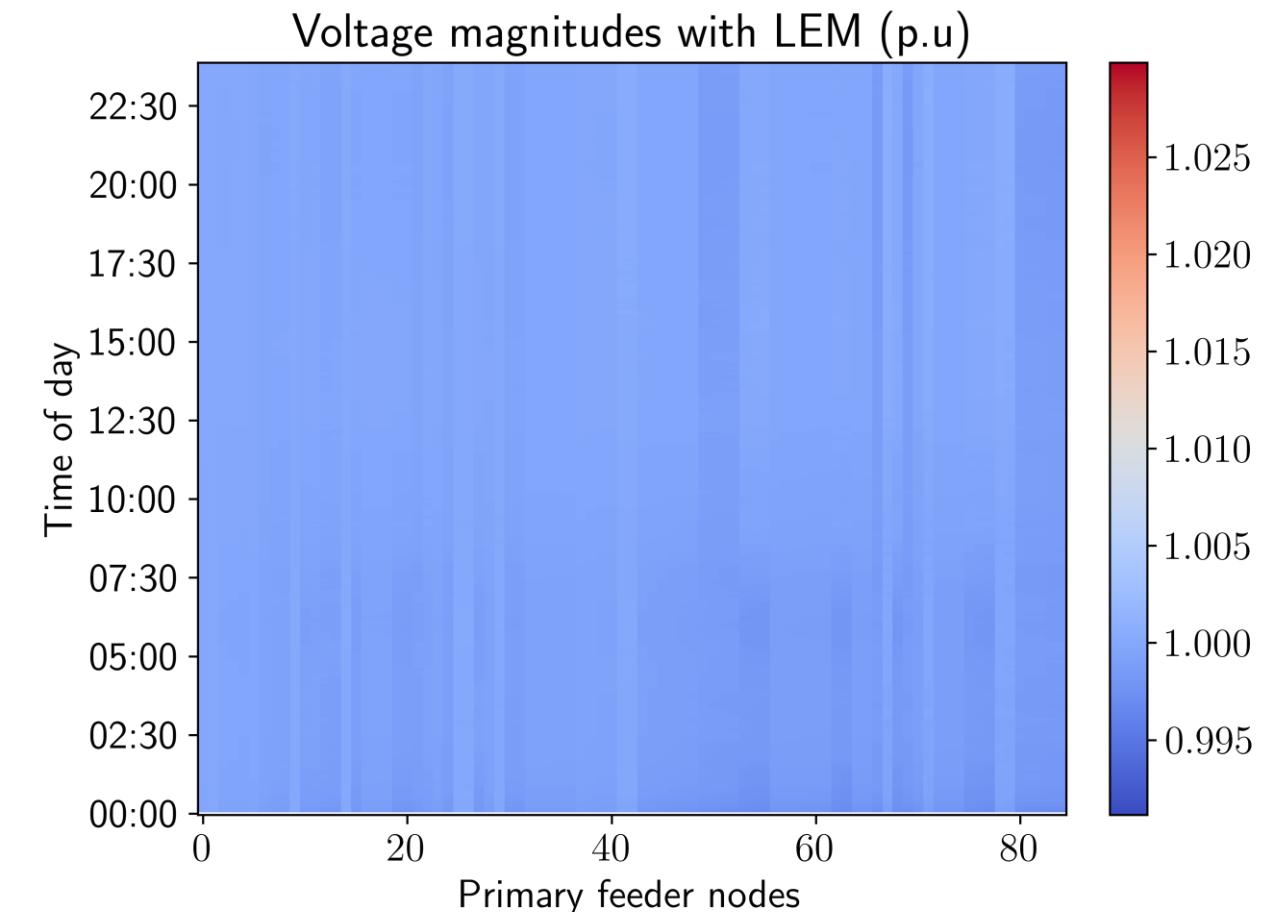
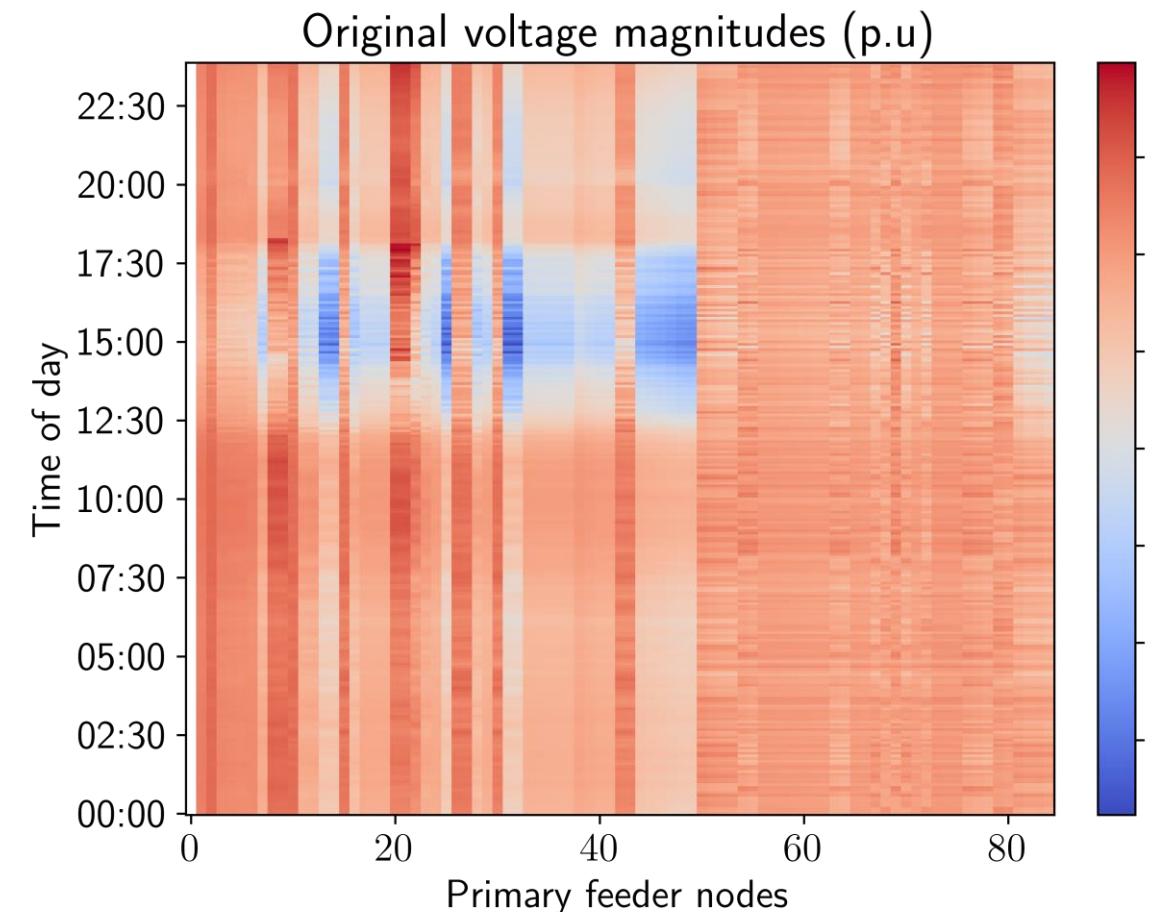
- Climate & load data for San Francisco
- Demand response availability profiles for CA (time-varying, up to 50%)



- Accelerated by parallelizing independent SM clearings
- Mitigate voltage issues common in low-medium voltage distribution grids, e.g.
 - High PV output → Over-voltage
 - Demand spikes from HVAC → Under-voltage

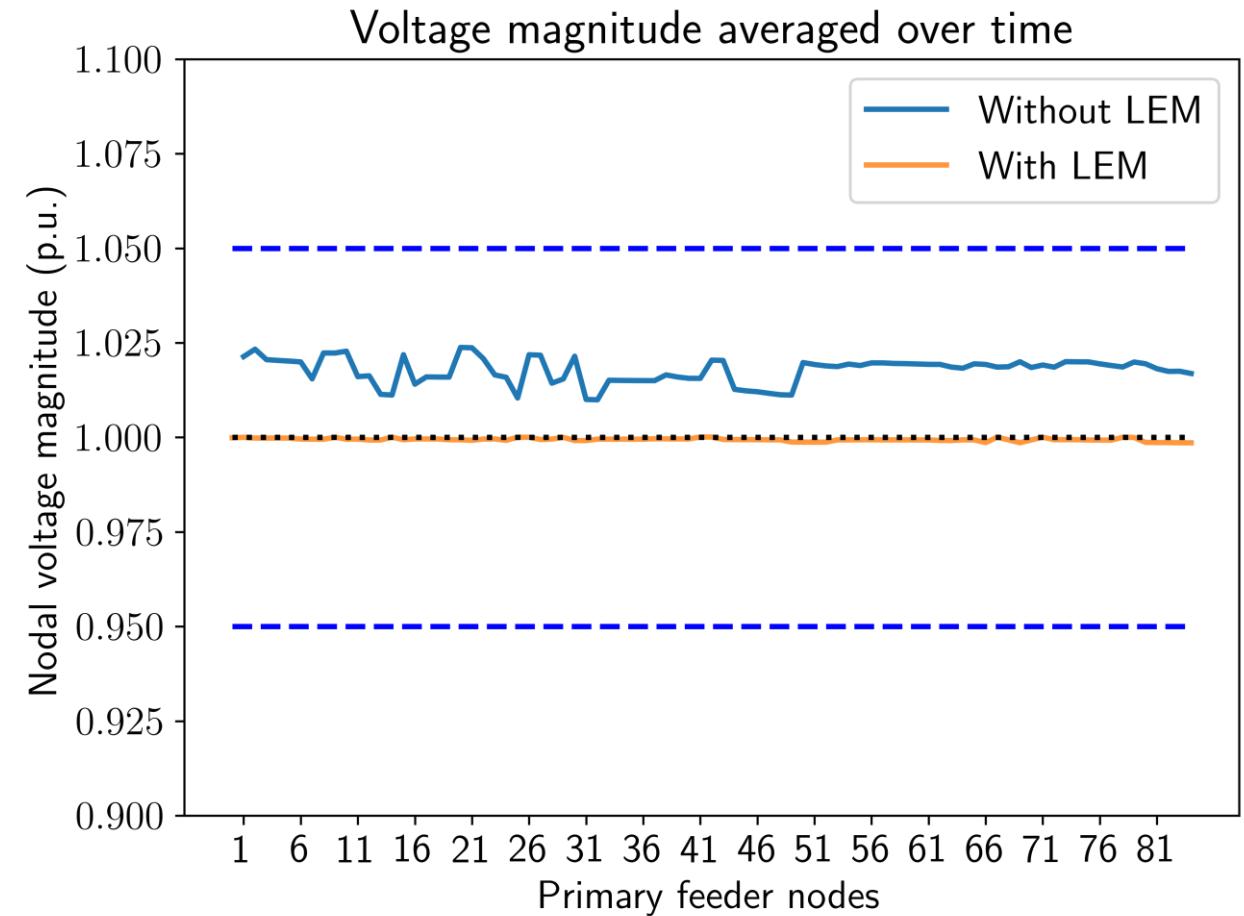
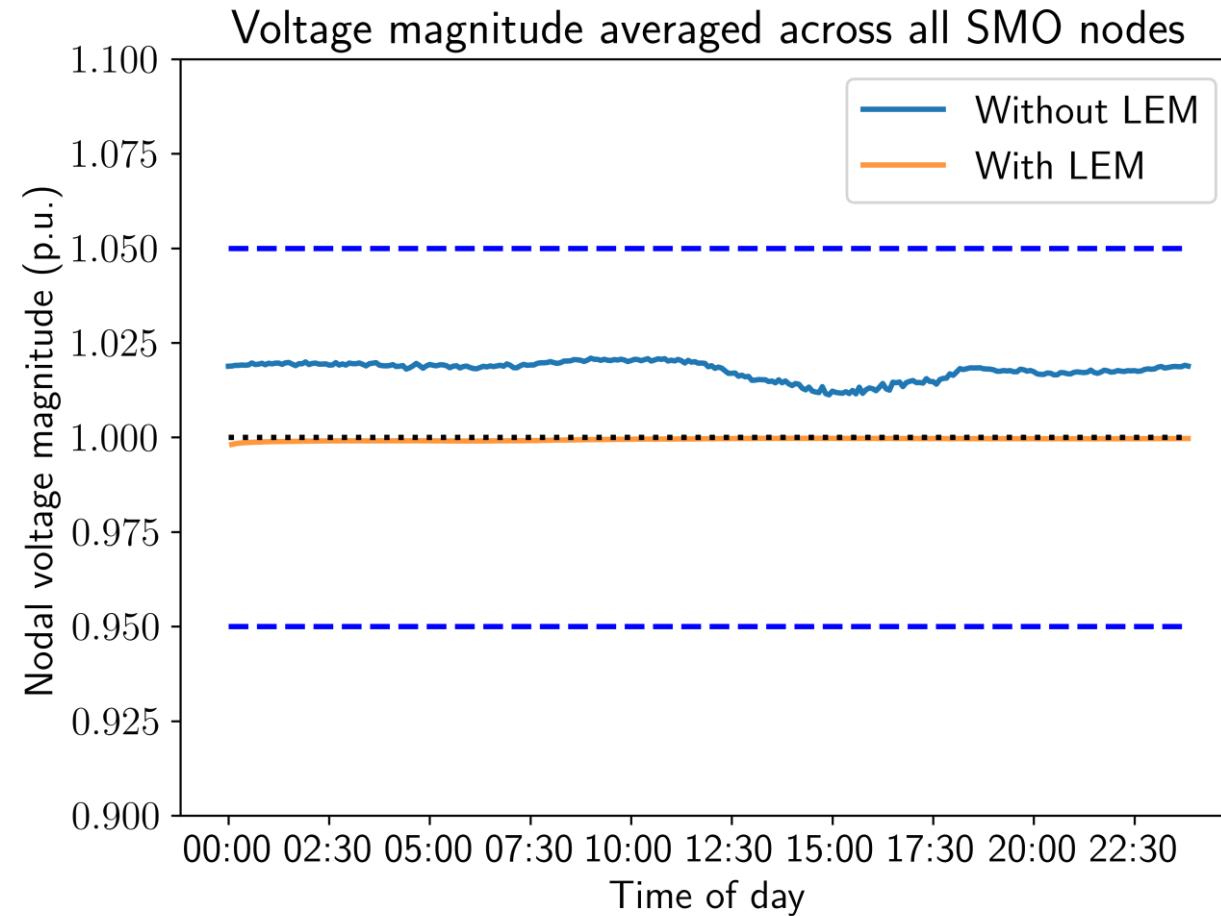
Type	Number	Capacity
DERs	380	1,745.8 kVA (~44%)
PVs	207	880.84 kVA
Batteries	173	865 kVA
Spot loads	85	3,985.7 kVA
Houses	1008	4-10 kW (variable)
Flexible loads	1-2 per house	10-50% flexibility (variable)

Numerical simulation results: Improved voltage profile

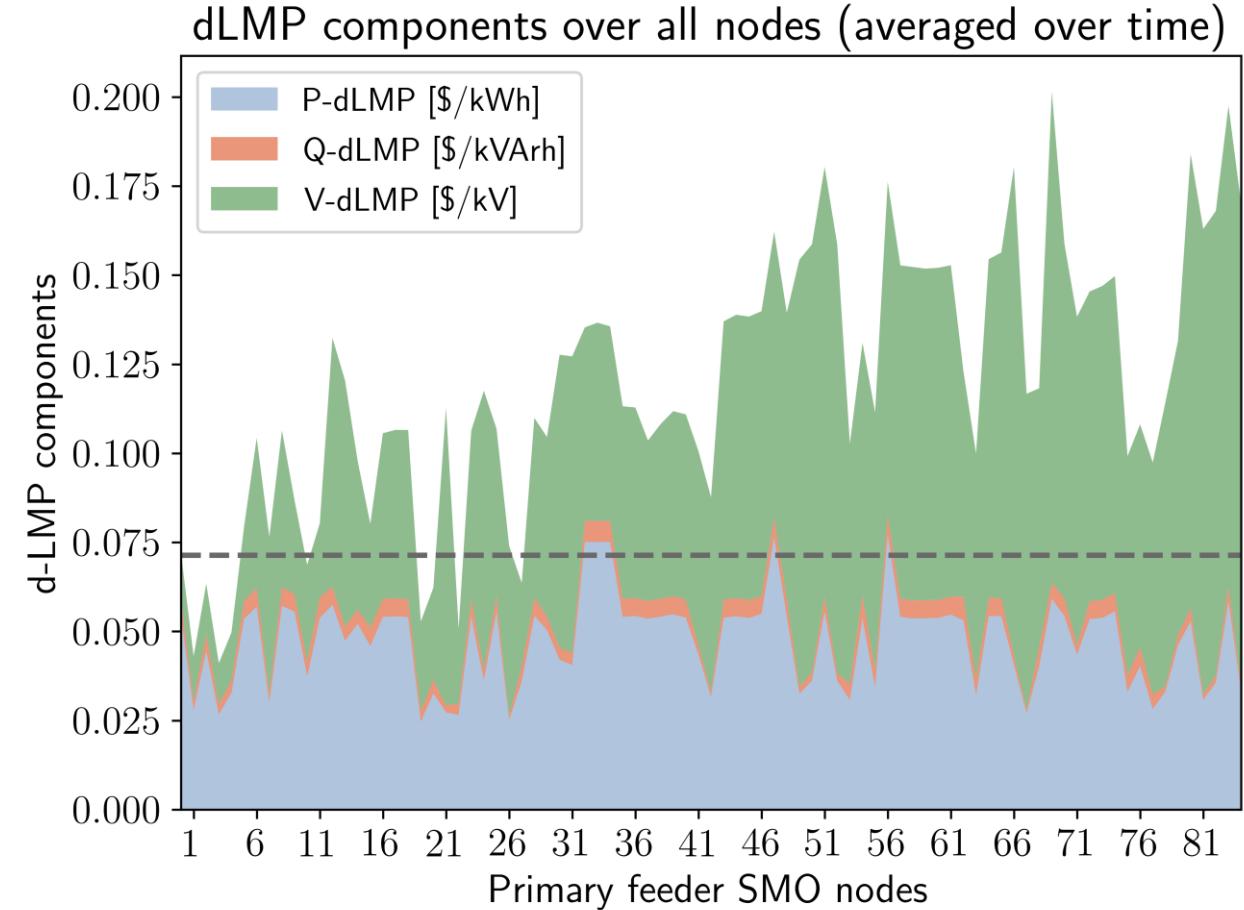
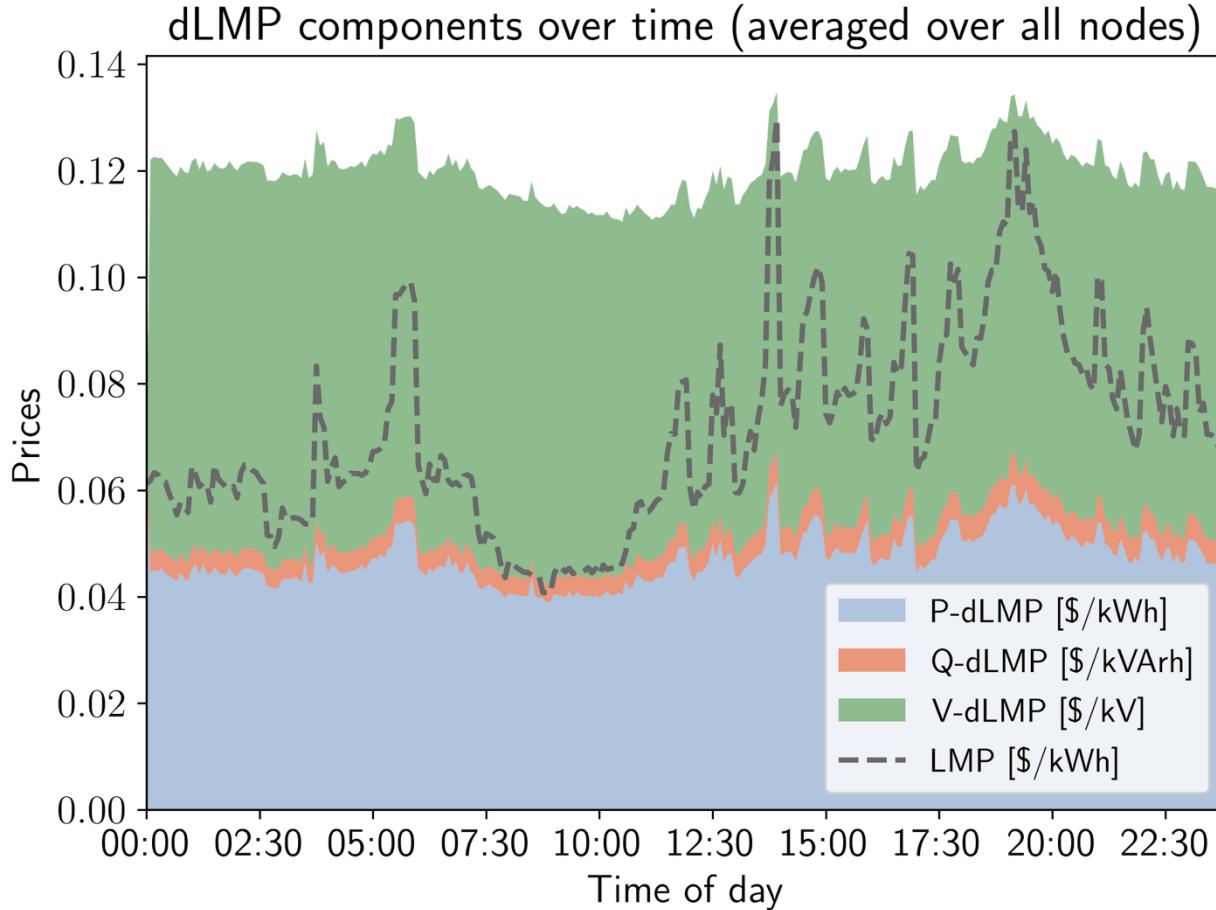


LEM (SM + PM) improves overall voltage profile → More uniform + closer to 1 p.u.

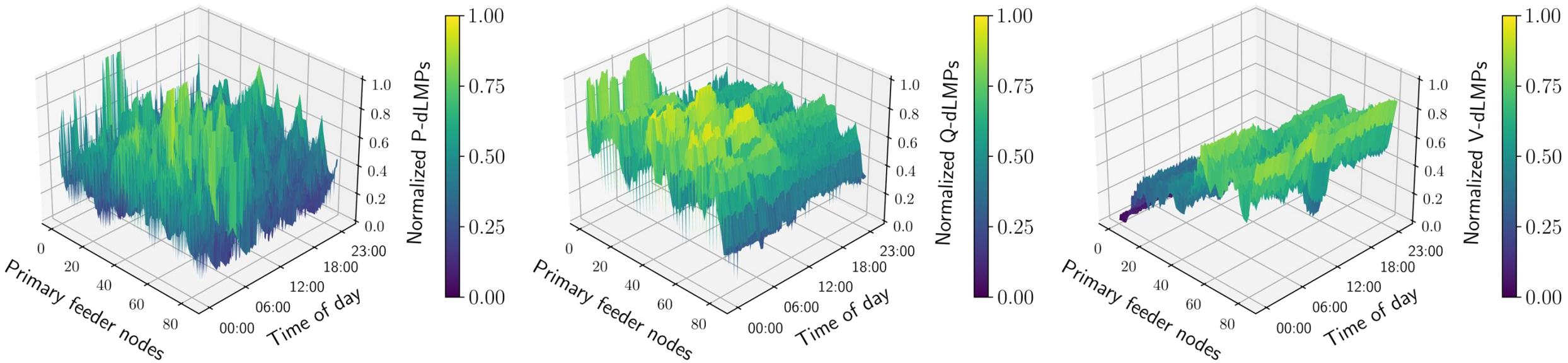
Average voltages over space and time



d-LMP component variations



Spatial-temporal distributions & cost comparison



- Average bundled tariff for PG&E (Aug 2022) = 33.72 ¢/kWh
- Weighted average d-LMP for LEM = 5.38 ¢/kWh
- **Caveat:** Our rate does not include additional maintenance/infrastructure costs, delivery charges etc.

$$\lambda_{eq} = (\lambda_P^* P^* + \lambda_Q^* Q^* + \bar{\lambda}_V^* \Delta V^*) / P^*$$

$$\Delta V^* = |V^{R^*} - 1| + |V^{I^*}|$$

Conclusions

- Developed local hierarchical retail market structure applicable to general types of networks using current injection model
- Market structure coordinates DERs to provide valuable grid services like voltage control & compensates them
 - Upper level (Primary): Accounts for AC power physics, interacts with wholesale energy market and transmission network
 - Lower level (Secondary): Accounts for consumer preferences (utility, costs, flexibilities, commitment reliabilities) & budget constraints
- SMO coordinates DERs & effectively leverages flexibility to lower network-wide costs → Lower electricity prices

[1] Nair, Annaswamy, "Local retail markets for distribution grid services." 7th IEEE Conference on Control Technology and Applications (CCTA), 2023.
[2] Nair, Venkataraman, Haider, Annaswamy, "A Hierarchical Local Market for a DER-Rich Grid Edge." IEEE Transactions on Smart Grid, 2022.
[3] Srivastava, Haider, Nair, Venkataraman, Annaswamy, Srivastava, "Voltage regulation in distribution grids: A survey". Annual Reviews in Control, 2023.



APPENDIX

Commitment scores

- Commitment score for each ICA_s
- SMO rewards ICA_s for fulfilling bilateral contracts, penalizes violations → Measure of commitment reliability
- Normalized deviations of actual ICA_s P/Q injections from cleared setpoints

$$e_j^P(t_s) = \left[\hat{P}_j > \bar{P}_j^{i^*} \right] (\hat{P}_j - \bar{P}_j^{i^*}) + \left[\hat{P}_j < \underline{P}_j^{i^*} \right] (\underline{P}_j^{i^*} - \hat{P}_j) + \left[\underline{P}_j^{i^*} \leq \hat{P}_j \leq \bar{P}_j^{i^*} \right] \max(\hat{P}_j - \bar{P}_j^{i^*}, \underline{P}_j^{i^*} - \hat{P}_j)$$

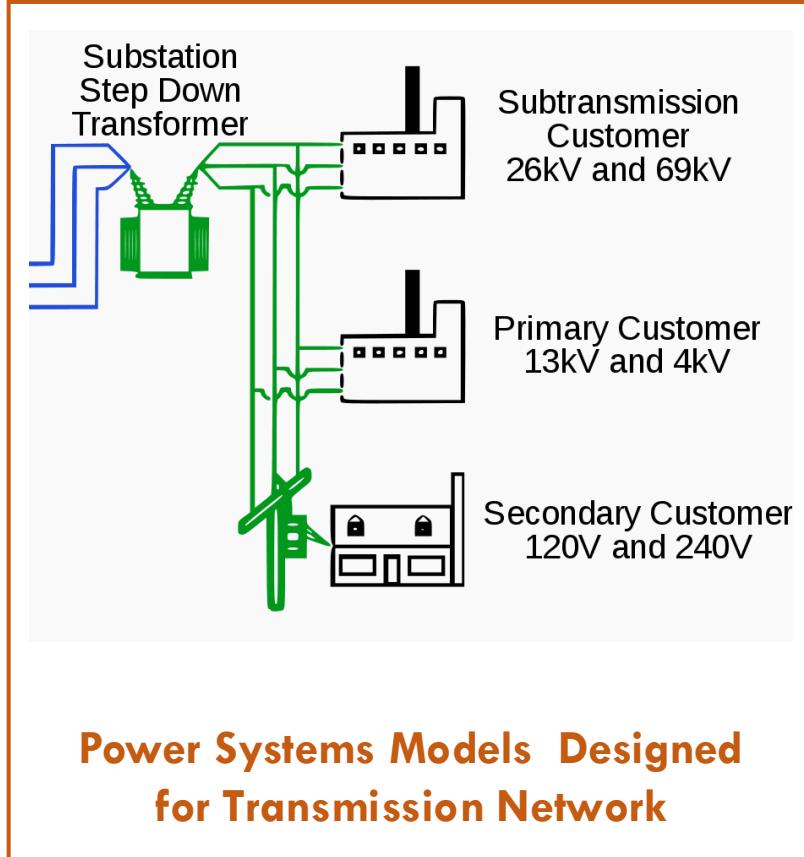
- Normalize by true solution & across all ICA_{sj} for the SMO:

$$\widetilde{e}_j^P(t_s) = \frac{e_j^P(t_s)}{|P_j^*(t_s)|} \quad \rightarrow \quad \widetilde{e}^{iP}(t_s) = \frac{\mathbf{e}^{i\mathbf{P}}(t_s)}{\|\mathbf{e}^{i\mathbf{P}}(t_s)\|}$$

- Update score for each ICA_s at every timestep:

$$C_j(t_s) = \begin{cases} 1 & \text{if } t_s = 0 \\ C_j(t_s - 1) - \frac{\widetilde{e}_j^P(t_s) + \widetilde{e}_j^Q(t_s)}{2} & \text{if } t_s > 0 \end{cases} \quad \rightarrow \quad \begin{array}{l} \text{Clip/scale values} \\ \Rightarrow 0 \leq C_j(t_s) \leq 1 \forall t_s \end{array}$$

Distribution system models



Distribution Grid:

Mixed topologies: Meshed and radial

Unbalanced networks

- Lines are not transposed – lines are unbalanced
- Have many single, two, & three-phase lines
- Unbalanced loads

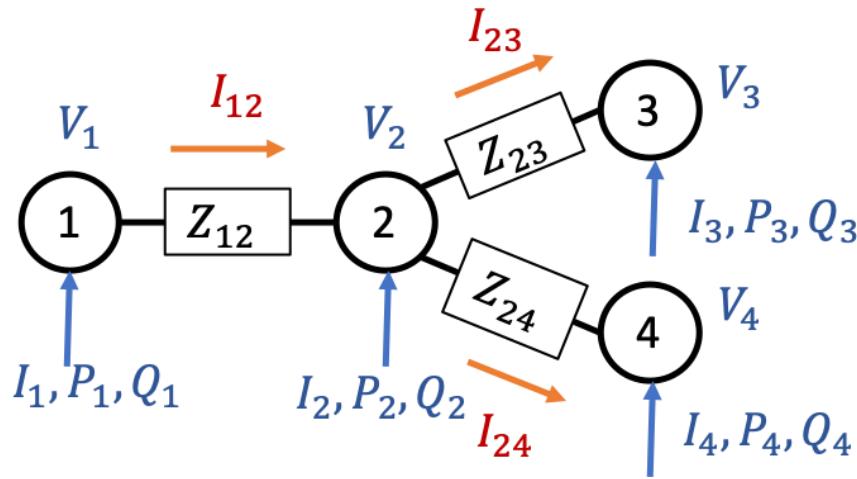
Emerging features:

- High DER penetration along grid's edge
- Energy injection into the grid (DG and storage)

Want power systems model with:

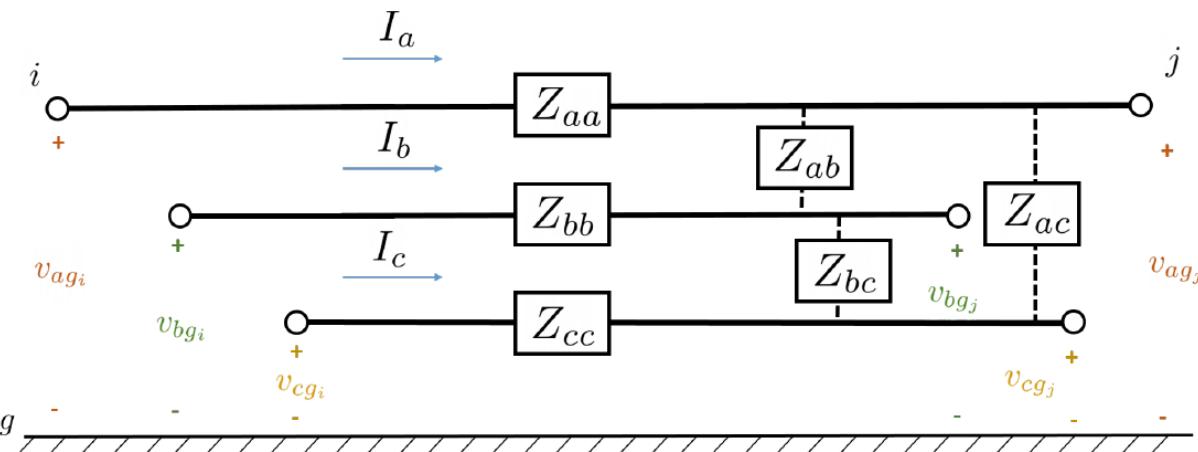
- **Applicability:** To unbalanced and meshed networks
- **Simplicity:** Linear constraints better than quadratic constraints
- **Computational tractability:** Applicable to large networks with limited pre/post-processing time

Review: Notation



Notation

- Nodal variables: Current injections, voltages, power injection (P & Q)
- Line variables: Current flow
- Each line has series impedance, $Z_{ij} = R_{ij} + jX_{ij}$



3-phase impedance matrix

$$\begin{bmatrix} V_a \\ V_b \\ V_c \end{bmatrix} = \begin{bmatrix} Z_{aa} & Z_{ab} & Z_{ac} \\ Z_{ab} & Z_{bb} & Z_{bc} \\ Z_{ac} & Z_{bc} & Z_{cc} \end{bmatrix} \begin{bmatrix} I_a \\ I_b \\ I_c \end{bmatrix}$$

Iterative preprocessing to obtain tight V/I bounds

- Need tight bounds on nodal current injections and voltage bounds
- Tighter convex relaxation → More accurate results
- Use iterative, sequential bound tightening approach
- Solve series of simpler optimization problems to find lower/upper bounds

e.g., to find $\overline{I^R}$

$$\max_{\{P, Q, v, \delta\}} h_1(P, Q, v, \delta)$$

$$\underline{\delta} \leq \delta \leq \bar{\delta}$$

Voltage phase angle

$$\underline{v} \leq v \leq \bar{v}$$

Voltage magnitude

$$\underline{P} \leq P \leq \bar{P}$$

$$\underline{Q} \leq Q \leq \bar{Q}$$

$$h_1 = I^R = \operatorname{Re} \left[\left(\frac{P + jQ}{ve^{j\delta}} \right)^H \right] = \frac{P \cos(\delta)}{v} + \frac{Q \sin(\delta)}{v}$$

e.g., to find $\overline{V^I}$

$$\max_{\{V_i^I, I_i^R, I_i^I\}} V_i^I$$

$$V_i^I = \mathbf{R}_{il} I_{l'}^I - \mathbf{X}_{il} I_{l'}^R$$

$$\underline{I_l^R} \leq I_l^R \leq \overline{I_l^R}$$

$$\underline{I_l^I} \leq I_l^I \leq \overline{I_l^I}$$

- Can derive closed form analytical solutions
- Solutions also satisfy nonconvex voltage ring constraint

