

Study of Ancillary Service of Island Operation Capability in a Deregulated Market: a system dynamics approach

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Abstract—Island Operation Capability is a future ancillary service that would allow safely operate a smart grid in isolation of the interconnected grid in order to maintain electrical supply following a partial or complete blackout. This paper discusses a payment proposal for Island Operation Capability in the Colombian electricity sector. It presents the technical issues of the service and the economical proposal with based on welfare of stakeholders into Colombian electrical power system.

Index Terms—Ancillary Services, Island Operation Capability, Microgrids, System Dynamics.

I. INTRODUCTION

THE blackouts around the world raised fundamental questions about the appropriateness of the rules, regulations and system operating practices governing electrical system security. Management of system security needs to keep improving to maintain reliable electricity services in more dynamic operating environment. System operating practices need to give greater emphasis to system-wide preparation to support flexible, integrated real-time system management [1]. Real-time coordination, communication and information exchange, particularly within integrated transmission and distribution systems spanning multiple control areas, can and must be improved [2]. Recently, similar major power system disturbances have occurred in USA, Italy, Germany and UK interconnections that in terms of intensity, extent and duration, have caused multi-billion USD damages to the utilities and their customers.

In 1995, Federal Energy Regulatory Commission (FERC) of USA defined ancillary services as “those services necessary to support the transmission of electric power from seller to purchaser given the obligations of control areas and transmitting utilities within those areas to maintain reliable operations of the interconnection system.” [3]. At the present, ancillary services typically include: AGC/Regulation, Spinning/Operating Reserve, Voltage/Reactive Power support and Black-start [3].

Currently, these services are offered by large plants centrally dispatched generation, without possibility of being offered by Distributed Energy Resources (DER) [4]. Island Operation

Capability (IOC) is not a new service from the conceptual point of view, since in the last decade, several authors and businesses around the world have advanced on recognize the need for Island Operation capabilities but might not be able to determine its availability or current performance [5]. However, it is in the currently where consolidation is projected by the new paradigm of operation of active distribution systems on smart grid [6].

The service IOC payment can be paid by availability, operation or both [7]. The restoration process normally account with plans that include the general premises and additionally mind some of the possible scenarios of restoration, but in most cases have no strict applicability in practice by the same dynamic systems and random failures and events that may occur in a power system [8].

This study is an attempt to evaluate a global welfare to implement Island Operation Capability for the Colombian electrical power system, using the system dynamics methodology.

II. MINIGRIDS AND ISLAND OPERATION CAPABILITY

A. Minigrids

A Minigrid (mG) also referred as MicroGrid, is defined as a fraction of the Electric Power Systems (EPS) which consists of the following characteristics: (i) Distributed Energy Resources (Distributed Generation, storage elements and controllable demand), (ii) have the ability to disconnect from and parallel with the area EPS, (iii) include the local Electric Power Systems (EPS) and may include portions of the area EPS, and (iv) are intentionally planned [9], [10]. The basic operation of a mG can be seen in Fig. 1, the blue box limits the planning area mG, and inside there are elements as elements of generation, storage and loads Center Control (CC), Generation Control (GC) Circuit Breaker (CB) and Circuit Sectionalizer Breaker (CSB) [11], [12].

the operation of electric power systems, through the integration of SmartGrids concepts, installation and implementation DER Asset Distribution Systems arises. DER penetration without adequate control systems leads to a reduction in the reliability, quality and security of supply.

B. Dynamic Hypothesis

In Fig. 2 a part of flow and level diagram is presented. The main variables that relate to determine the time behavior of the electrical system restoration process when considering AS of IOC observed.

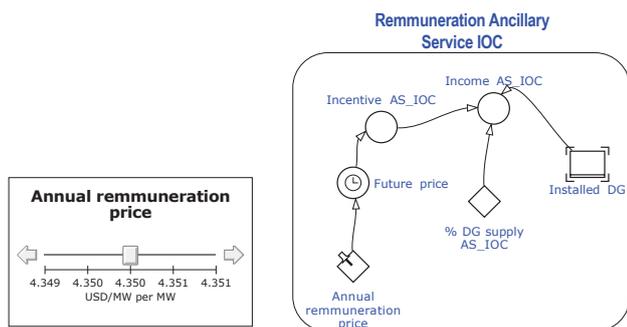


Fig. 2. Causal Loop Diagram for Study AS of IOC in Restoration Process

The variable to optimize the reset process is time, but should ensure the security, quality, reliability, flexibility and economics, which is achieved by having speed in decision making, reducing uncertainty about the impact these decisions may have on the control variables of the power system [8].

C. Costs involved for provide the ancillary service IOC

Compensation and remuneration of ancillary services it is related to the identification and quantification of taxes extra costs of providing the same [24]. These costs are shown in Eq. (1)

$$Cost_{AS} = Inv + C_{O\&M}^{Fixed} + C_{O\&M}^{Var} + P_{Losses/C.O} \quad (1)$$

Where, Inv it is related to recovery of investment resulting of implementation/adaptation of installation that enable the provision of the Services Ancillary. In the case of AS IOC, modernization of electrical distribution systems to adapt to allow operation by mG.

You can recognize two possible situations in the return to investment. The first comes from the new facility infrastructure. In this case, offset should be the total investment of the installation application. The second possibility is the installation or adaptation existing. In this case, the compensation should have its value calculated with based on the depreciation of a new installation, considering the relationship between the lifetime and the use time of same.

$C_{O\&M}^{Fixed}$, it is related with the investment return of costs Operation and Maintenance fixed, related to the instant that installation is available to provide service. This amount can be

TABLE I
OVERVIEW ANCILLARY SERVICES MG AND DER

Ancillary Services	Microgrid	DER
Frequency Control (FC)	[16]	[25]–[29]
Voltage Control (VC)	[30], [31]	[27], [29], [32]–[35]
Stability Services (Transient Stability)	[34]	[36]
Improvement of Voltage Quality		[29], [36], [37]
Black Start Capability	[38]–[40]	[29], [36]
Islanded Operation Capability	[40]	
Peak shaving		[36]
Reactive power compensation	[31]	[29], [41]

paid in annual instalments by, in most cases, do not represent a great value financial [24].

$C_{O\&M}^{Var}$, it is related with the investment return of costs Operation and Maintenance Variable, and is related to the instant wherein plant is providing the service effectively. This portion may in some cases be paid in by annual instalments, do not represent a great value financial.

$P_{Losses/C.O}$, it is related with the investment return of costs resulting from the measurement of the increase in power losses actively involved in the provision of Ancillary Services (e.g. IOC) and/or from the measurement of the opportunity cost (cost avoided). This portion may have different treatment depending on the given Ancillary Service

Therefore, following the analysis of the variables that influence the implementation of AS IOC in the process of restoring the system in a deregulated market.

1) *Stakeholders for implementation of Ancillary Services: Island Operating Capability* : So far, not presented in the literature methodology or standard to quantify the potential benefits of the Ancillary Service of Island Operating Capability.

Table I summarizes the main research works of authors who have developed studies providing AS through mGs and DER. This segmentation is done considering specific and particular studies of each AS, ie technical, economic assessments, regulatory or market analysis, which illustrate the progress and studies of AS around the world.

Some authors have studied the subject of Islands Operation, determining benefits, issues and barriers in their operation, control, planning and implementation [10], [42], [43]. However, the study of AS of IOC is subject to the market and the availability of an Active Distribution System or SmartGrid that integrates elements of mGs and DER.

In Fig 3 the main applications of AS of IOC in the EPS are presented as a support service to electrical transmission and distribution systems. These advantages largely unexplored countries require be exploited to promote and entered the new paradigm of active operation Asset Distribution Systems and SmartGrids.

Following an analysis of the different variables studied in the dynamic model for the determination of a potential benefit is presented.

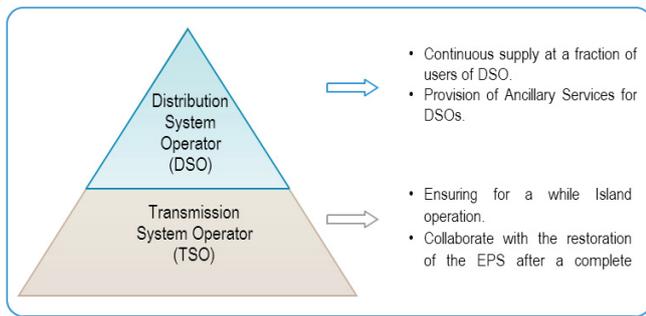


Fig. 3. Applications of Island Operating Capability

2) Utilities - Distribution Systems Operators Viewpoint:

For utilities, the operation of islands is presented as a given that its electrical infrastructure has control elements and traditional operation and thus is not feasible to provide the AS of IOC challenge. On the other hand, have installed on your system DER distribution are controlled by users, causes high risk of equipment failure and compromise personal safety [44], [45].

A very important for power distribution companies is the reliability aspect, the AS of IOC enabling users involved in the planning of the island will increase their reliability indices, which in turn reduces economic losses Energy Not Supplied. Finally, consider the remuneration of AS of IOC may encourage the modernization of infrastructure and implementing Asset Distribution Systems. It is notable that the IOC applies to nearby islands with capacity of 5 MW, thus an electric distribution company may have one of its substations authorized to provide such AS.

3) *Transmission Systems Operators Viewpoint:* After a partial or total blackout of the power system, the TSO require executing a reset process that sometimes presents great difficulty and requires a time which is sometimes indeterminate [6]. The AS of IOC has a benefit given to the TSO since the number of users involved in a blackout is reduced, as is possible to reduce the times of restoration of the system after a power outage been submitted [40].

4) *DER Owners Viewpoint:* When considering remuneration for AS of IOC DER owners have an additional incentive that does not have at present, increasing competitiveness and reducing the bias caused by the economy of scale when compared to large power plants [46]. Thus the AS of IOC maximize the benefits attributed to the installation of DER on the distribution network.

5) *Customers Viewpoint:* Customers are within the planning of the operation by islands, presented an increase in supply reliability. Since the AS of IOC can offer a continuous supply in case of a scheduled maintenance, a local fault on the distribution system or a general blackout Power System.

IV. RESULTS AND DISCUSSION

In Fig. 4 Profitability (Capex and Opex) implementation AS of IOC presents, this simulation does not consider remuneration.

The balance point where Opex and Capex are equal in the first half of 2021, with a price of 700.000 USD. The stabilization point Opex presented in 2035 in a value close to \$ 1.7 million, the initial investment is \$ 1.5 million potential depends only on the first year Generation.

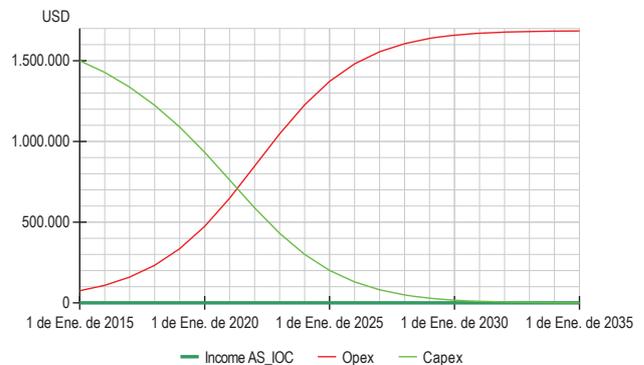


Fig. 4. Profitability of AS of IOC without remuneration

In Fig. 5 Profitability (Capex and Opex) implementation AS of IOC presents, this simulation consider with restore remuneration. The balance point where Opex and Capex are equal in the first half of 2022, with a price of 780.000 USD. The stabilization point Opex presented in 2035 in a value close to \$ 1.78 million, adding to a value income AS IOC (dark green line). The initial investment is \$ 1.7 million depends on the installation of generation adequacy more investment in AS IOC (restore remuneration only).

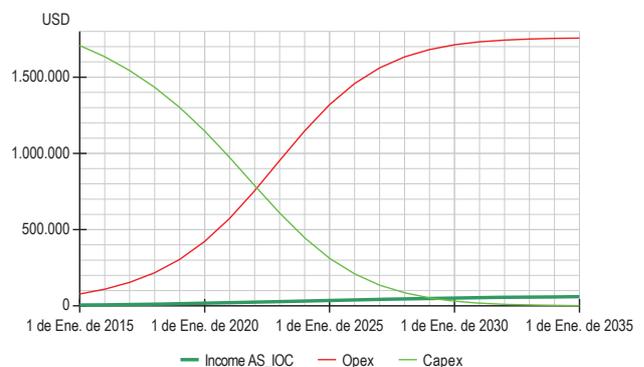


Fig. 5. Profitability of AS of IOC with restore remuneration

In Fig. 6 Profitability (Capex and Opex) implementation AS of IOC presents, this simulation consider with increase reliability remuneration. The balance point where Opex and Capex are equal is in the second half of 2023, with a price of 840.000 USD. The stabilization point Opex presented in 2035 in a value close to \$ 1.83 million, adding to a value income AS IOC (dark green line). The initial investment is \$ 1.92 million depends on the installation of generation adequacy more investment in AS IOC (reliability remuneration only).

In Fig. 7 Profitability (Capex and Opex) implementation AS of IOC presents, this simulation consider with increase

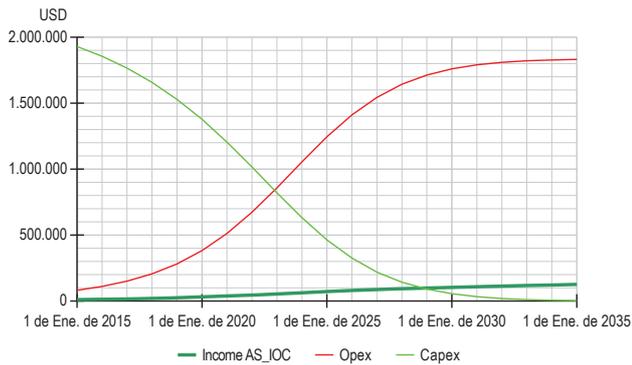


Fig. 6. Profitability of AS of IOC with increase reliability remuneration

reliability and restore remuneration. The balance point where Opex and Capex are equal in the first half of 2024, with a price of 920.000 USD. The stabilization point Opex presented in 2035 in a value close to \$ 1.92 million, adding to a value income AS IOC 400.000 USD (dark green line). The initial investment is \$ 2.32 million depends on the installation of generation adequacy more investment in AS IOC (reliability and restore remuneration).

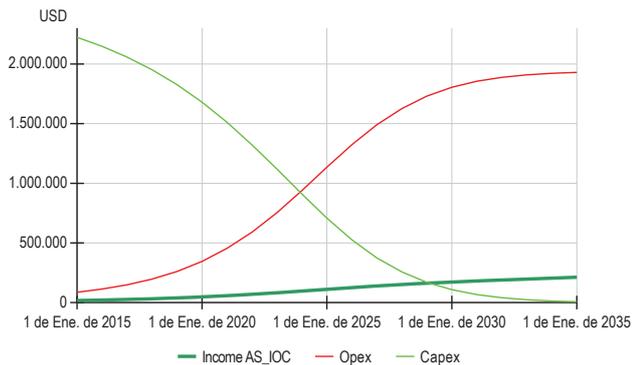


Fig. 7. Profitability of AS of IOC with increase reliability and restore remuneration

V. CONCLUSION

Modern economies are becoming increasingly dependent on reliable and security electricity services. Development and deployment of new and existing technologies has considerable potential to improve system operating tools to enhance electrical power system. Island Operation Capability permit more flexible operation of electrical power systems and more effective real time responses to alleviate congestions, manage emergency situations, and enable timely service restoration. Furthermore, it offers the potential to facilitate real-time coordination and more holistic management of system security in distributions and transmission systems spanning multiple control areas.

A dynamic relationship between the different variables of the model determines technical and economic behaviours that

affect the restoration process, being able to quantify the contribution of AS IOC in reducing the time variable. In addition to the restoration process, may be determined the behavior of local variables of the Distribution System Operator.

Currently the economic benefits attributed to generation through DER come purely from the sale of energy (kWh). A regulatory or economic incentive for the provision of AS of IOC through network allows respond to the requirements of quality, safety and reliability of a liberalized market. Thus, the IOC becomes a link between DER capabilities that have not been explored and the needs of the operators of electrical systems.

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