Summary of Findings

New Zealand Wind Integration Study

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Challenges of integrating wind generation

Generation capacity adequacy

How "reliable" is wind generation as a source? How much conventional capacity can it displace? What are the system integration capacity costs and benefits?

Real time system balancing

— What are the needs for flexibility and reserve? What are the costs? What is the role of storage, demand side participation and interconnectors?

Transmission network requirements

— How much new transmission capacity is required to efficiently transport wind power?

System stability

 What is stability performance of the system with new forms of generation? Can this technology contribute to improving stability?

Role of enabling technologies

 Can storage and responsive demand have a role in facilitating integration of wind generation? Are these solutions competitive? What are the drivers of value? What new tools are required to support system management with wind generation?

Technical, commercial and regulatory framework

— Are the technical, commercial and regulatory arrangements appropriate for a system with significant contribution of wind? Are the Grid Codes and Standards appropriate? Are the arrangements for access to transmission networks appropriate? Are non-network solutions to network problems competitive? Does the market reward flexibility adequately?

Wind Integration in NZ: Background

- Widespread expectation that wind power generation will become an increasingly significant proportion of overall generation mix in the future of NZ electricity system
- Wind Integration questions addressed include
 - Capacity value of wind (ability of wind power to displace thermal generation)
 - Increased reserves and flexibility requirements to deal with uncertain and variable nature of the outputs of wind generation
 - Location and remoteness of this generation relative to centres of demand
- Key objective of this work was to develop methodologies for providing detailed quantitative assessments of the system costs of integrating various levels of wind power into the NZ electricity system
 - The analysis shows that wind variability increases the need for operating reserve and associated generation capacity to manage balance of demand supply

System Cost Components of Wind Integration

Additional system reserve cost

- Additional requirements for instantaneous and frequency keeping reserves
- Additional requirements for scheduling reserve

2. Additional system generation capacity cost

- Wind generation is primarily an energy source with limited ability to provide reliable generation capacity at times of peak demand
- 3. Transmission constraints and reinforcement cost driven by wind power*

^{*}Reactive power reserves, voltage control and stability performance are not considered, as the cost of mitigation options are an order of magnitude lower.

- Unlike thermal generation based power systems in which capacity value of wind is determined by the availability of wind during peak demand conditions, the capacity value of wind in New Zealand is:
 - High due to high load factors of wind resource
 - Enhanced by the presence of hydro generation
 - Reduced by the large variations in relatively small period of time that need increased amounts of reserves
- Additional capacity costs attributed to wind generation:
 - 2010 costs (1.7 to 2.7 \$/MWh) are higher than the 2020 costs (1.3 to 2.2 \$/MWh) due to the different NI-SI interconnector (2010 – 1000MW and 2020 1500MW) which increases the sharing of reserve capacity and diversity of wind generation.
 - 2020 2030 rise in wind capacity cost (to 6.2 -9 \$/MWh) is primarily driven by larger capacity reserve requirements to accommodate larger wind forecasting errors at higher penetration levels

- Hydro increases capacity credit of wind. However, at higher penetrations the contribution of hydro to firm up wind power reduces
- Capacity credit of wind generation in the NZ's hydro dominated system is higher than in the other thermal based systems, however, it also declines with rise in wind penetration level
- Capacity values for wind are not effected by hydro (dry) conditions although the overall capacity requirements increase with low availability of hydro energy
- The low production of wind for days is found not to effect the capacity value of wind as this can be compensated by the flexible hydro energy with presence of large hydro reservoirs
- The role of the interconnector changes. Over time, interconnector will become critical for maintaining security of supply in the South Island.

- Additional reserves are needed to cover the unpredictability of wind power
 - Instantaneous reserve, up to 30 min provided by synchronised generators
 - Frequency keeping reserve to cover 1 hour of wind variability is assumed to be provided by synchronised reserve
 - Scheduling reserve to cover 4-6 hours of wind variability is assumed to be provided by synchronised + standing reserve
- The quantity of wind reserve component increases with rise in wind penetration
- Provision of scheduling reserve up to 4-6 h time horizon
 - For low wind penetration (2010), hydro will be the primary source of scheduling reserve
 - For high wind penetration (2020 &2030), it is desirable to use flexible standing power plants for dealing with scheduling time horizons

- The cost of additional reserve to deal with forecasting error of wind for several scenarios have been quantified
 - Instantaneous reserve, up to 30 min provided by synchronised generators
 - For low penetration (4.9% in 2010), the cost of additional reserves is around 0.19 \$/MWh of wind energy
 - The cost of additional reserves increases to 2.42 \$/MWh of wind energy by 2030 under a high wind penetration scenario (17.9%)
- The primary source of synchronized reserve remains to be hydro but in future the contribution from interruptible load and thermal plants will increase
- Some curtailment of wind and hydro energy is observed in high wind penetration scenarios. This occurs during a combination of low demand, wet hydro conditions and high wind conditions

Summary of Key Results

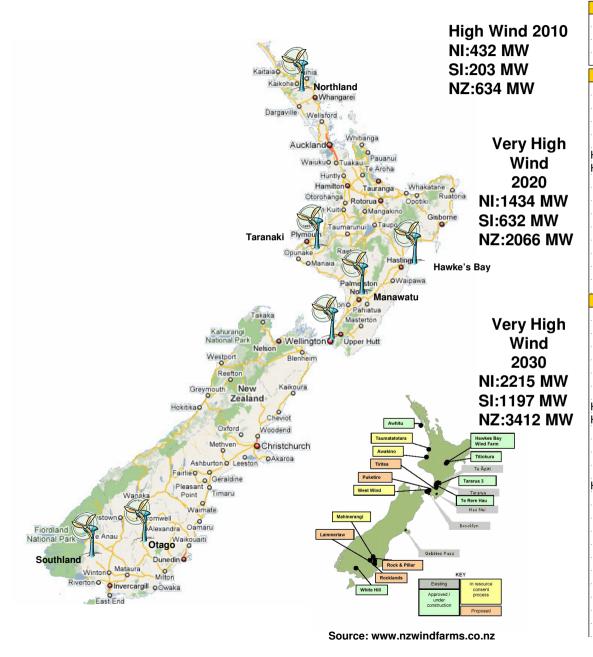
	2010	2020	2030	
Installed wind power capacity (MW)	634	2,066	3,412	
Wind power (GWh)	2,285	6,724	10,797	
Capacity credit of wind (%)	32	29	15	
Max. Instantaneous Reserve (MW)	565	691	912	
Max. Frequency Keeping (MW)	309	540	866	
Max. Standing Reserve (MW)	46	377	566	
Capacity cost (\$/MWh of wind)	1.7 - 2.5	1.3 - 2.0	6.2 - 9.3	
Reserve cost (\$/MWh of wind)	0.19	0.76	2.42	
Total cost attributed to wind (\$/MWh of wind)	1.89 - 2.69	2.06 - 2.76	8.62 - 11.72	

NZ Electricity System: Future Scenarios Under Study

Scenarios

- Three scenarios correspond to future generation in 2010,2020 and 2030 were constructed to represent increasing levels of wind penetration up to 18% of electricity consumption in 2030
- Demand growth was assumed to be about 1.25%-1.5% p.a.
- Hydro inflows profiles were developed using SPECTRA
 - Daily run of river profiles
 - Weekly reservoir release profiles
- 2005 and 2006 wind profiles were assessed. 2005 wind profiles were used in the main studies as they represent a lower wind year

Future Wind Scenarios



Location	Island	MW	GWh PA	Avg LF
	SI	144.0	492	
Otago Manawatu	NI	7.0	492 28	39.0% 45.0%
	NI		20 77	
Manawatu		19.5		45.0%
Wellington	NI	142.6	573	45.9%
Location	Island	MW	GWh PA	Avg LF
Otago	SI	144.0	492	39.0%
Manawatu	NI	7.0	28	45.0%
Manawatu	NI	19.5	77	45.0%
Wellington	NI	142.6	573	45.9%
Wellington	NI	94.3	363	44.0%
Hawke's Bay	NI	48.0	179	42.5%
Hawke's Bay	NI	150.0	484	36.9%
Central	NI	100.0	350	40.0%
Manawatu	NI	150.0	565	43.0%
Wairarapa	NI	90.0	323	41.0%
Northland	NI	102.5	359	40.0%
Taranaki	NI	99.0	361	41.7%
Northland	NI	68.8	241	40.0%
Wellington	NI	100.0	365	41.7%
Otago	SI	261.0	892	39.0%
Southland	SI	168.0	589	40.0%
Location	Island	MW	GWh PA	Avg LF
Otago	SI	144.0	492	39.0%
Manawatu	NI	7.0	28	45.0%
Manawatu Manawatu	NI NI	7.0 19.5		
Manawatu	NI	19.5	77	45.0%
Manawatu Wellington				45.0% 45.9%
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Capacity Value and Additional Capacity Costs of Wind Generation

NZ Generation Capacity Analysis

- 1. Assessment of optimal overall generation capacity requirements in each future wind scenario
- 2. Capacity credit evaluation of wind generation
- 3. Evaluation of additional capacity cost of wind generation
- 4. Sensitivity studies include*
 - A. Wind forecasting errors
 - B. Impact of hydro conditions (Dry/Average/Wet)
 - C. Impact of interconnector size and its reliability
 - D. Impact of wind diversity

^{*} sensitivity analysis are not included in this executive summary but will be included in the final report

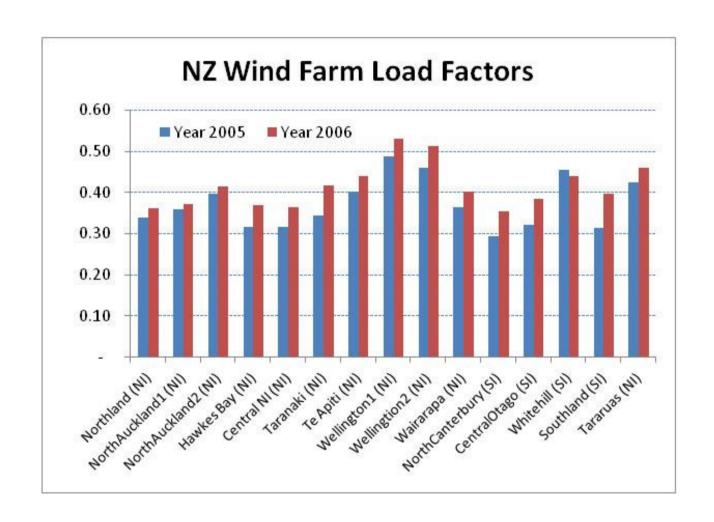
Capacity Modelling Approach – 1

- The system reliability criterion for capacity adequacy applied in this study is Loss of Load Expectation (LOLE) with a conservative target of 8 hours/year
- Hydro plants are represented as Island aggregated units. Island aggregated profiles of each of run-of-river and reservoir type hydro energy are used
- Hydro is modelled as a fully reliable generation
- The dispatch of hydro power is obtained optimally to minimize the overall thermal capacity requirements of the system - this serves as the objective function of the capacity assessment model
- Weekly reservoir releases (from the SPECTRA model) are used in the dispatch programme - water is used within each week and cannot be shared between weeks

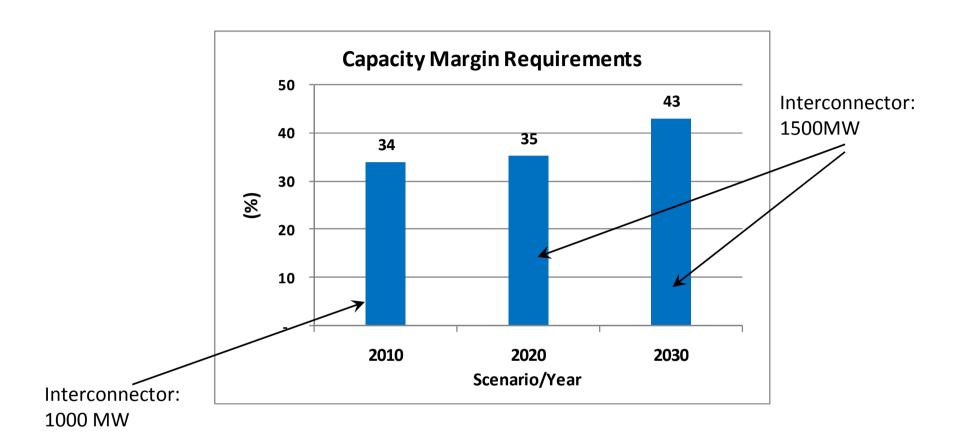
Capacity Modelling Approach – 2

- The unused capacity of the hydro reservoir type plant (i.e. the difference between installed capacity and dispatched power) during each simulation period (1/2-hour) is modelled as hydro capacity reserve to contribute to system reliability subject to reservoir energy constraints
- Main constraints include:
 - Aggregated (wind + Hydro + Thermal) production must meet demand in each time period
 - Minimization of wind and hydro energy curtailment
 - The aggregated reservoir size of each island for hydro energy storage
 - Minimum reservoir levels (10% of reservoir size)
 - 99% reliability of the interconnector (DC link between islands)

NZ Wind Farm (sites) Load Factors



System Capacity Margin Requirements



Key assumptions:

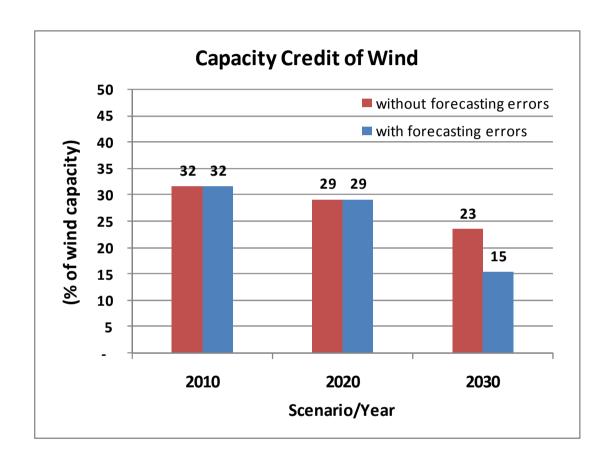
Conservative system reliability criterion: LOLE < 8 hours/year

Availability of conventional generation: 85% (consistent with planning time horizons)

NI-SI Interconnector reliability: 99%

Capacity Credit of Wind

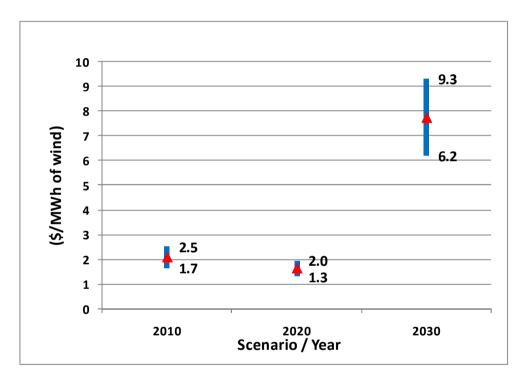
(Average hydro conditions)



Capacity credit with wind forecasting is based on a conservative approach to accommodate 99% of the wind variations across a 4 to 6 hour time horizon.

Additional Capacity Cost of Wind

(Average hydro conditions)



The source of additional capacity cost of wind generation is due to the difference between the quantites of energy versus capacity displaced when comparing wind power to a CCGT. The costs are driven by:

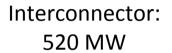
- Wind forecasting errors
- The utilisation of plant within the incumbent generation system
- The capacity of thermal plant required to be retained to maintain system reliability i.e., increased capacity margin

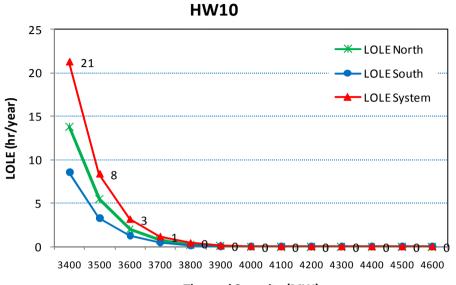
Assumptions:

Capacity cost of conventional plant = 100 \$/kW/yr to 150 \$/kW/yr Average load factor of thermal plant in the system = 58%

The additional costs of wind are relative to a base load thermal plant

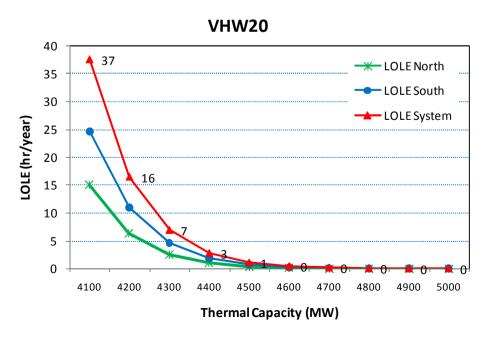
Changing role of the Interconnector

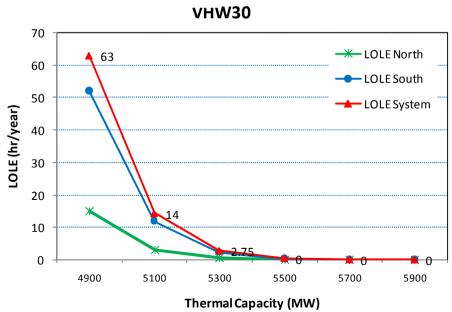




Thermal capacity is gradually added into the Island with higher LOLE or risk of non supply

Thermal Capacity (MW)





Summary of Capacity Results - 1

- Unlike thermal generation based power systems in which capacity value of wind is determined by the availability of wind during peak demand conditions, the capacity value of wind in New Zealand is driven by its higher load factor as well as by the large variation in relatively small period of time
- Additional capacity costs attributed to wind generation:
 - 2010 costs (1.7 to 2.7 \$/MWh) are higher than the 2020 costs (1.3 to 2.2 \$/MWh) due to the different NI-SI interconnector (2010 – 1000MW and 2020 1500MW) which increases the sharing of reserve capacity and diversity of wind generation.
 - 2020 2030 rise in wind capacity cost (to 6.2 -9 \$/MWh) is primarily driven by larger capacity reserve requirements to accommodate larger wind forecasting errors at higher penetration levels

Summary of Capacity Results - 2

- Hydro increases capacity credit of wind however at higher penetrations its contribution to firming up the wind power reduces
- Capacity credit of wind generation in the NZ's hydro dominated system is higher than in the other thermal based systems, however, it also declines with rise in wind penetration level
- Capacity values for wind are not effected by hydro (dry) conditions although the overall capacity requirements increase with low availability of hydro energy
- The low production of wind for days is found not to effect the capacity value of wind as this is compensated by the flexible hydro energy with presence of large hydro reservoirs
- The role of the interconnector changes over time in 2010 South Island generation provides security of supply to the North Island – in 2020 and 2030 North Island generation provides security of supply to the South Island

Additional Costs of Reserve due to Wind Generation

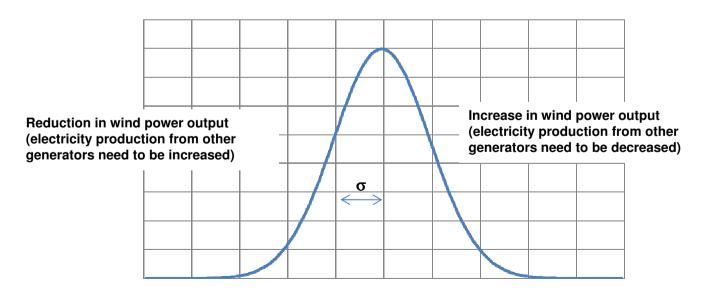
Methodology to Assess Additional Reserve Costs

- 1. Quantification of the additional operating reserve needed to deal with the forecasting errors of wind power
 - A. Instantaneous reserve (up to 30 mins) provided by synchronised generators
 - B. Frequency keeping reserve (up to 1 hour) provided by synchronised generators
 - C. Scheduling reserve (for 4-6 hours) provided by synchronised and standing generators
- 2. Analysing the impact of increased reserve requirement on system operating costs
 - A. Fuel cost, generation start up cost and no-load cost
 - B. Cost of interruptible load
- 3. Evaluation of the cost of increased operating reserve requirements
- 4. Sensitivity analysis*
 - A. Hydro conditions (Dry/Average/Wet)
 - B. Increased wind power (scenario 2010,2020,2030)
 - C. Interconnector capacity
 - D. Location of future wind power (North and Southland scenarios)
 - E. Different wind profiles (year 2005 and 2006 data based)

^{*} Sensitivity analysis are excluded from this executive summary

Additional Reserve Assessment- Methodology

- Wind intermittency increases demand for operating reserve. Three types of reserves are modelled
 - Instantaneous reserve includes reserve to cover 30 minutes ahead wind unpredictability
 - Frequency keeping (1 hour ahead)
 - Scheduling reserve (4-6 hours ahead)
- The additional reserves due to wind are determined using a statistical analysis based on the distribution of wind forecasting errors



96% **→** 2σ

Note:

Sigma (σ) denotes the standard deviation. It is a measure of the spread of the values of wind

power output from its

mean µ (forecasted or

expected value).

To cover 73% wind variability requires additional reserve (1 σ).

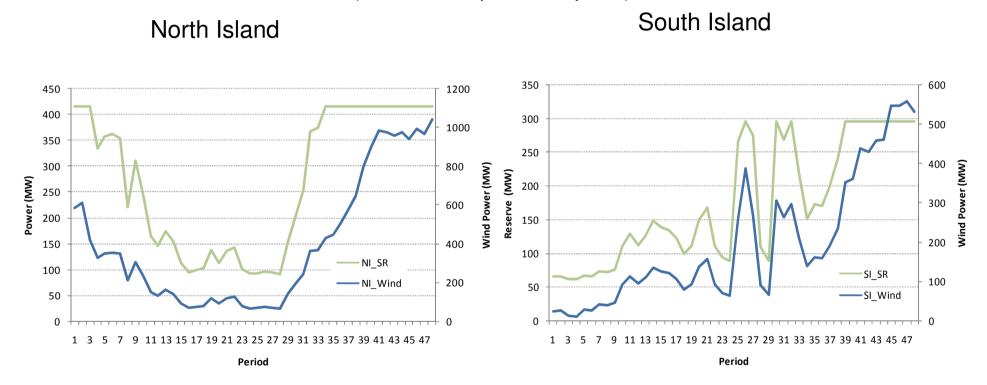
99% \rightarrow 3 σ 99.5% \rightarrow 4 σ

Expected wind power output

Impact of Wind Variability on Reserves

(Illustration)

(An illustrative winter peak demand day in 2020)



Amount of reserve required increases with increased wind output

Evaluation of Additional Reserve Costs

- Additional reserve will increase operating costs as wind power will demand
 - More on-line capacity
 - Use of low merit (expensive) generation
 - Lower efficiency- part loaded plants
 - Increased frequency of start ups of generators
 - Increased demand of Interruptible load (IL)
 - Increased standing reserve
- Cost of additional operating reserve attributed to wind is determined as the difference between the operating cost of the system with and without the wind reserve component
- Operating cost is determined using a generation scheduling optimisation model which optimises energy production and allocation of reserves among synchronised units
- Cost of standing reserve is determined by calculating the expected energy of standing reserve that would be exercised

The Optimisation Problem

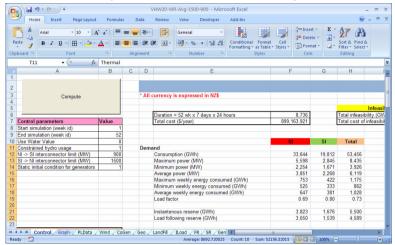
Objective

- Minimise the overall generation cost including no load, start up cost and IL cost subject to

operational constraints

Include operational constraints

- Power balance constraints
- Generation constraints
 - Minimum stable generation
 - Power rating
 - Maximum Instantaneous Reserve limits
 - Ramp up/down constraints
 - Minimum up/down time constraints
 - Load factor constraints for CCGT (minimum 75%)
- 0.5 hourly auxiliary and wind power energy constraints
- Hydro power constraints
 - Daily ROR energy constraints
 - Weekly hydro inflows constraints
 - Reservoir constraints
- Reserve constraints
 - Minimum instantaneous and frequency keeping reserve provision for each island
- Flow constraints at interconnector
- Use of mixed integer linear programming



Reserve Modelling Assumptions - 1

- Additional operating reserves in each Island is analysed separately, i.e. no operating reserve transfers across the HVDC link are modelled
- The magnitude of power transfers across HVDC link is constrained by power transfer capability constraint. The maximum of NI to SI transfer is set to 60% of SI to NI power transfer
- All operating spinning reserve quantities for instantaneous reserve and frequency keeping are assumed to be unable to contribute to meeting demand requirements
- Operating reserve is assumed to be mainly provided by part loaded plant along with a contribution from demand side (interruptible load) during critical periods, consistent with existing practices
- Standing reserve is assumed to be provided by off-line thermal plants which can synchronise and produce electricity quickly to maintain balance between supply and demand
- Levels of operating reserve required are targeted to cover about 99.5% of all operating conditions

Reserve Modelling Assumptions - 2

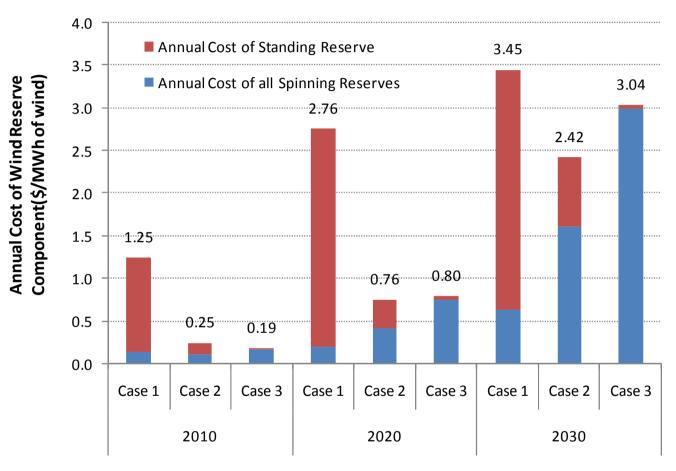
- Reserve requirements from synchronised plant are assessed at 30 minutes and 1 hour. Standing reserve are allocated for dealing with the forecasting errors beyond 1 hours
- Reserve requirements are computed for each half hour time slot of the overall system simulation.
- The additional reserve requirement to deal with wind variability never exceeds expected wind power output.
- In the daily load cycles, the impact of different loading conditions during day and night periods on the operating reserve requirements is modelled.
- CCGT was assumed to operate with minimum load factor of 75% irrespective of hydro and wind conditions.

Required Quantities of Operating Reserves

		2010				2020			2030			
		IR	FK	Standing	IR	FK	Standing	IR	FK	Standing		
Case 1	NI	398	107	124	446	215	312	533	315	503		
	SI	167	73	65	245	157	174	379	271	326		
	NZ	565	180	189	691	372	486	912	586	829		
Case 2	NI	398	150	81	446	314	272	533	466	352		
	SI	167	93	31	245	226	105	379	400	214		
	NZ	565	243	112	691	540	377	912	866	566		
Case 3	NI	398	194	37	446	416	170	533	618	200		
	SI	167	115	9	245	296	35	379	530	67		
	NZ	565	309	46	691	712	205	912	1148	267		

Note: all units are expressed in MW IR = Instantaneous Reserve FK = Frequency Keeping

Optimal Allocation of Standing and Spinning Reserves



Case1: dominated by standing reserve

Case2: balanced allocation

Case3: dominated by spinning reserve

Summary of the Reserves Results

- Additional reserves are needed to cover the unpredictability of wind power
 - Instantaneous reserve provided by synchronised generators
 - Frequency keeping reserve to cover 1 h wind variability provided by synchronised reserve
 - Scheduled reserve to cover 4-6 h wind variability provided by synchronised + standing reserve
- The quantity of wind reserve component increases with rise in wind penetration
- Provision of scheduling reserve up to 4-6 h time horizon
 - For low wind penetration (2010), hydro will be the primary source
 - For high wind penetration (2020 &2030), it is desirable to use flexible standing power plants
- The cost of additional reserve to deal with forecasting error of wind for several scenarios have been quantified
 - For low penetration (4.9% in 2010), it is around 0.19 \$/MWh of wind energy
 - It increases to 2.42 \$/MWh of wind energy in 2030 with high wind penetration (17.9%)
- The primary source of synchronized reserve remains to be hydro but in future, it will require higher contribution from IL and other thermal plants

Summary of Key Results

	2010	2020	2030
Installed wind power capacity (MW)	634	2,066	3,412
Wind power (GWh)	2,285	6,724	10,797
Capacity credit of wind (%)	32	29	15
Max. Instantaneous Reserve (MW)	565	691	912
Max. Frequency Keeping (MW)	309	540	866
Max. Standing Reserve (MW)	46	377	566
Capacity cost (\$/MWh of wind)	1.7 - 2.5	1.3 - 2.0	6.2 - 9.3
Reserve cost (\$/MWh of wind)	0.19	0.76	2.42
Total cost attributed to wind (\$/MWh of wind)	1.89 - 2.69	2.06 - 2.76	8.62 - 11.72

Summary of Findings

New Zealand Wind Integration Study

Goran Strbac, Danny Pudjianto, Anser Shakoor, Manuel J Castro

Imperial College London

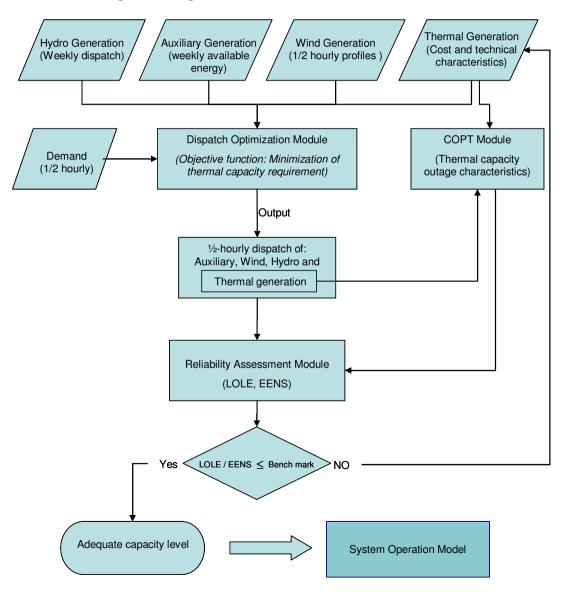
Guy Waipara, Grant Telfar

Meridian Energy Limited

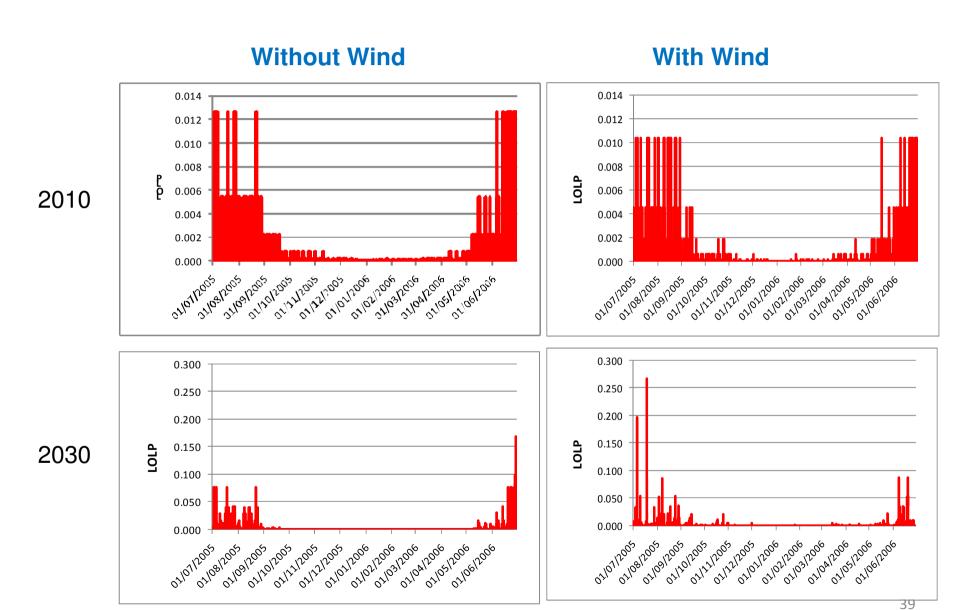
April 2008

Appendix

Simplified Representation of the Capacity Adequacy Assessment Model



Yearly Distribution of Loss of Load Probability

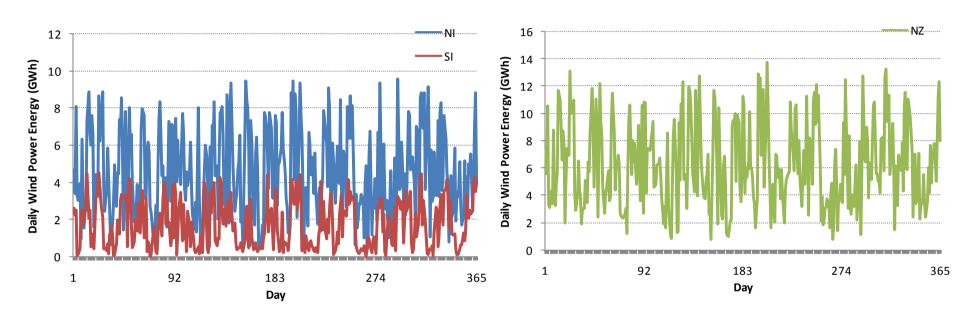


Initial Electricity Generation & Demand Scenarios

Scenario High Wind 2010(4.9%) Very High Wind 20						(12.5%)	Very High Wind 2030 (17.9%)		
Region >>	NI	SI	NZ	NI	SI	NZ	NI	SI	NZ
Auxiliary	1,017	37	1,054	1,166	37	1,203	1,205	37	1,242
Wind	432	203	634	1,434	632	2,066	2,215	1,197	3,412
Hydro	1,873	3,557	5,430	1,873	3,557	5,430	1,873	3,557	5,430
Coal	972	-	972	972	-	972	972	-	972
Gas	1,500	-	1,500	1,570	-	1,570	1,810	_	1,810
Oil	-	-	-	-	-	-	-	-	-
Distillate	156	-	156	156	-	156	156	-	156
Total installed generation capacity (MW)	5,949	3,797	9,747	7,171	4,226	11,397	8,230	4,791	13,022
Hydro energy (GWh)	6,919	17,929	24,848	6,919	17,929	24,848	6,919		
Wind energy (GWh)	1,653	631	2,285	4,906	1,819	6,724	7,442		10,797
Peak demand (MW)	4,842	2,455	7,297	5,598	2,845	8,443	6,273	3,197	9,469
Energy demand (GWh)	28,952	17,041	45,993	33,644	19,812	53,456	37,907	22,351	60,258

Wind Profiles

Based on 2005 wind profiles for 2010 scenario

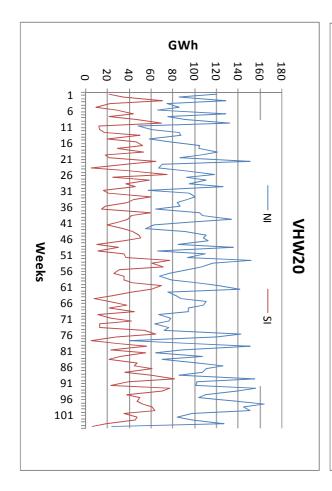


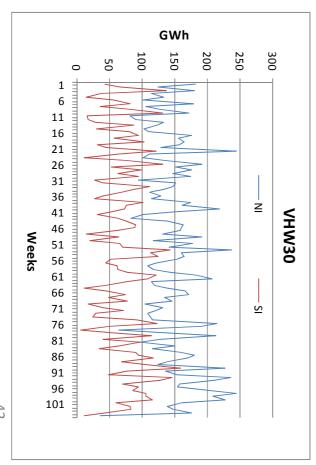
Wind energy (GWh)	NI	SI	Total	Wind energy (GWh)	NI	SI	Total	Wind energy (GWh)	NI	SI	Total
Annual	1,653	631	2,285	Annual	4,906	1,819	6,724	Annual	7,442	3,354	10,797
Weekly maximum	49	24	72	Weekly maximum	145	72	199	Weekly maximum	228	140	320
Weekly minimum	15	2	20	Weekly minimum	47	5	57	Weekly minimum	77	8	94
Weekly average	32	12	44	Weekly average	94	35	129	Weekly average	143	65	208

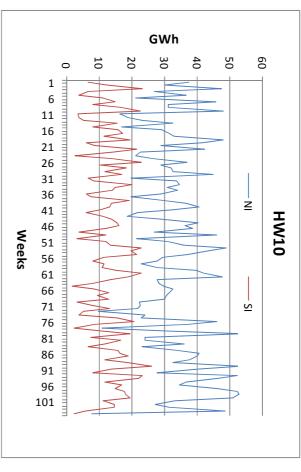
6 11 16 21 26 31 36 41 46 51 56 61 66 71 76 81 86 91 ż BLW07 Weekly Wind Production <u>s</u> GWh

GWh

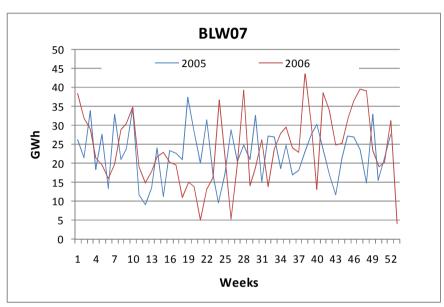
Weeks

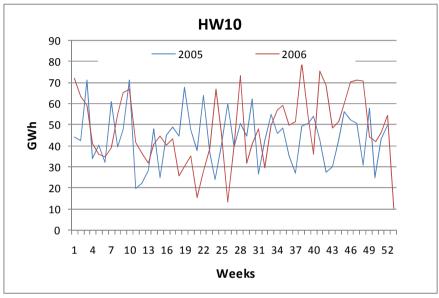


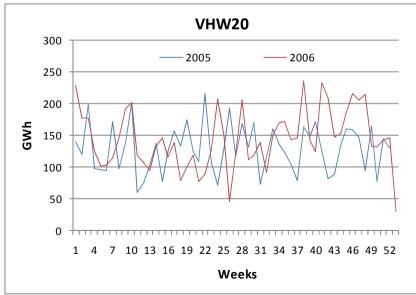


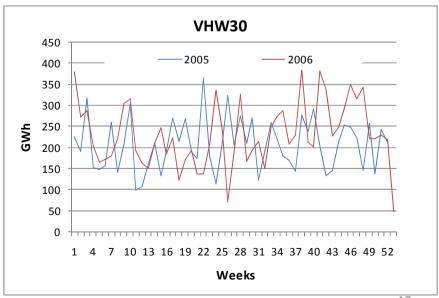


Weekly Wind Production (across years)





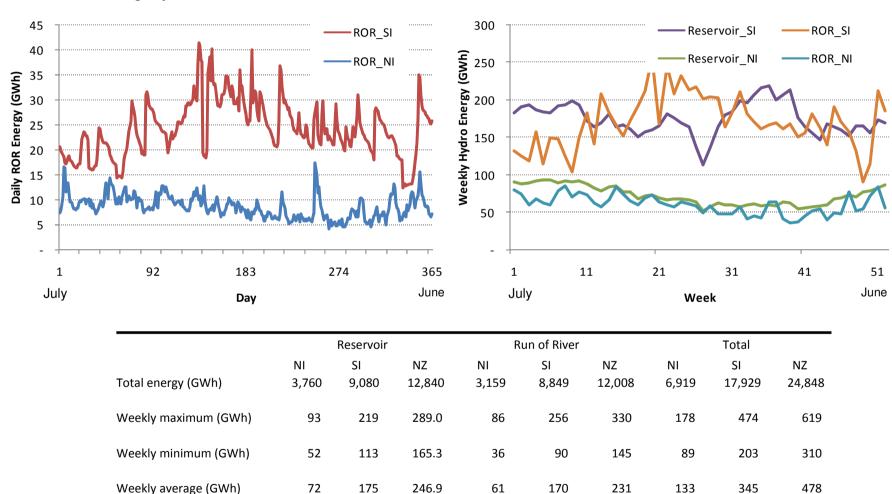




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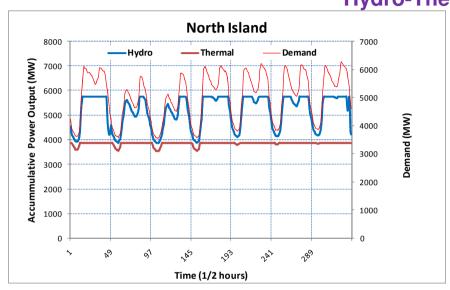
Hydro Profiles

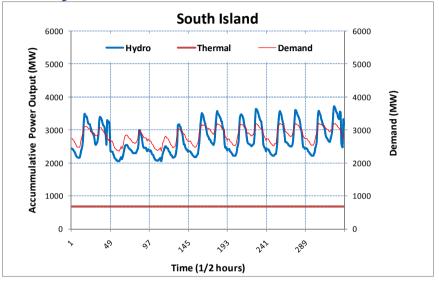
Based on average hydro condition



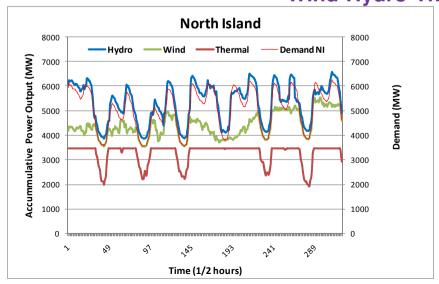
Illustrative one week dispatch -2030 Scenario Hydro tends to flatten output of thermal generation

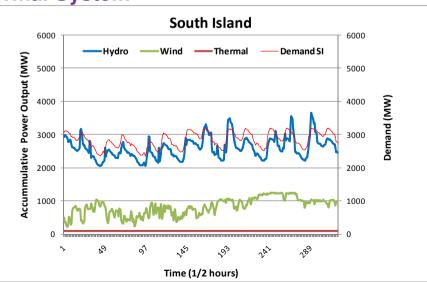
Hydro-Thermal System



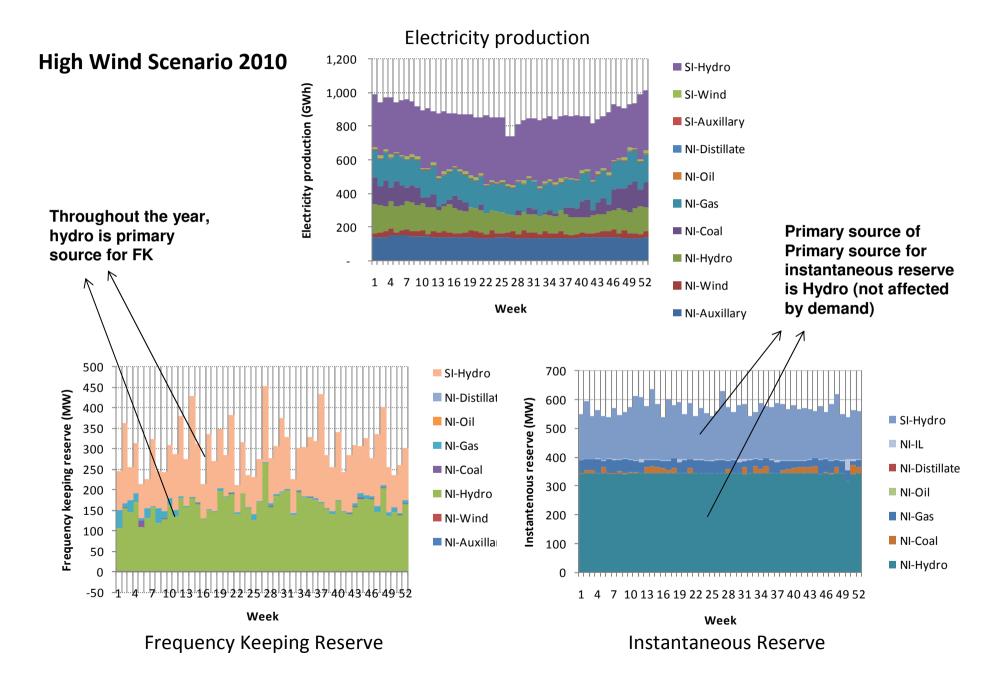


Wind-Hydro-Thermal System





Providers of Reserves - Low Wind Penetration



Providers of Reserves - High Wind Penetration

