Benefits and costs of the Smart Power System development in Russia. The role prosumers in the improvements of the Smart Power System efficiency

Energy Research Institute of the Russian Academy of Sciences

Open seminar «Russian and international prospects for the development of smart grid solutions focusing on the involvement of the non-residential consumers»

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Design and development of the Smart Unified Power System – national energy system of the 21st century

- The unique experience and skills of the system design and dispatching of the Russian Unified Power System must be applied to new types of the state-of-the-art generation/transmission/distribution/consumption technologies and smart control systems

Design and development of the integrated smart electricity and heat supply system for consumers in towns and cities

- Largest volumes of the CHP development (CHP form near 50% of the installed capacity of total thermal power plants), wide-scale development of different centralized heating systems based on CHP and boilers create the unique opportunities for the energy saving and energy efficiency improvements and for the decrease of GHG emissions.
Technological and economic effects from Smart Power System (SPS) development

- **Functionality changes** – changes of the existing or appearance of new technical features in separate sector technological sub-systems (generation, transmission, distribution, consumption of electricity)

- **Technological effects** – changes of the technical performance parameters of the power sector/sub-sectors
  - *Local* – impact on the separate technological sub-system
  - *System-wide* – impact on performance parameters of different sub-systems and on the supply/demand balance situation as a whole

- **Economical effects** – cost estimation of technological effects
  - *Local* – changes of economic characteristics of the separate technological sub-system
  - *System-wide* – economic result of system-wide technological effects superposition
Key system effects in transition to the Smart Power System

- effect from electricity demand/load management (LF effects)
- effects from T&D losses management
- effects from T&D lines capacity management
- effects from generation load management (CF effects)
- effects from security and quality of power supply management

<table>
<thead>
<tr>
<th>Effect</th>
<th>Pilot Smart Grid projects worldwide</th>
<th>Target indicators for Russian Smart Power System to 2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decrease of peak demand</td>
<td>10-20%</td>
<td>10%</td>
</tr>
<tr>
<td>Decrease of the final electricity consumption</td>
<td>5-15%</td>
<td>8%</td>
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<tr>
<td>Decrease of grid losses (% to actual)</td>
<td>20-50%</td>
<td>30%</td>
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<tr>
<td>Decrease of the capacity margin (% to actual)</td>
<td>20-30%</td>
<td>20%</td>
</tr>
<tr>
<td>Decrease of the intersystem transmission capacities</td>
<td>5-10%</td>
<td>10%</td>
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Impact on the balance situation in the SPS

Decrease of the capacity requirements, GW

- Decrease consumer peak load as a result of demand management
- Decrease of capacity margin as a result of security of supply improvements and decrease of peak load

Decrease of the electricity demand, TWh

- Decrease of electricity consumption as a result of demand management
- Decrease of T&D losses as a result of technological improvements and decrease of electricity consumption

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Modeling tools for the system effects and SPS benefits estimation

**EPOS** – the optimization model of power sector development as an integrated part of the whole energy sector was used to estimate economic consequences from changes in capacity and electricity balances due to SPS development.
### Economic Effects of Creating an Intellectual Energy System (IES AA) Until 2030

<table>
<thead>
<tr>
<th></th>
<th>Until 2020</th>
<th>2025</th>
<th>2030</th>
<th>Total 2015-2030</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Decrease of capacity additions, GW</strong></td>
<td>7.8</td>
<td>15.3</td>
<td>11.0</td>
<td>34.1</td>
</tr>
<tr>
<td><strong>Decrease of fuel consumption, Mtce</strong></td>
<td>4.7</td>
<td>13.5</td>
<td>27.6</td>
<td>173.6</td>
</tr>
<tr>
<td><strong>Decrease of CO2 emissions, Mt</strong></td>
<td>8</td>
<td>23</td>
<td>46</td>
<td>298</td>
</tr>
<tr>
<td><strong>Avoided capital costs</strong></td>
<td>682</td>
<td>744</td>
<td>526</td>
<td>1953</td>
</tr>
<tr>
<td><strong>Avoided fixed O&amp;M costs</strong></td>
<td>17</td>
<td>52</td>
<td>73</td>
<td>560</td>
</tr>
<tr>
<td><strong>Avoided fuel costs</strong></td>
<td>12</td>
<td>56</td>
<td>139</td>
<td>756</td>
</tr>
<tr>
<td><strong>Total avoided capital and O&amp;M costs</strong></td>
<td><strong>711</strong></td>
<td><strong>852</strong></td>
<td><strong>738</strong></td>
<td><strong>3269</strong></td>
</tr>
<tr>
<td><strong>Avoided carbon costs</strong></td>
<td>5</td>
<td>14</td>
<td>28</td>
<td>183</td>
</tr>
</tbody>
</table>

Preliminary capital cost requirements for Russian SPS development (made analogous to EPRI approach for US power industry) were estimated at 2400-3200 bln 2010 Roubles

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Preliminary SPS cost and benefit estimation. Results

Direct economic effects in electric power industry and consumer supply reliability will exceed costs of SPS implementation in 2,5-3,5 times. But it does not take into account external effects!

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External effects from Smart Power System development

- **Decrease of the ecological impact**
  - Decrease of GHG emission, other pollutants, electromagnetic radiation, land use for energy facilities

- **Innovative impulse for the national economy**
  - Wide-scale demand for the innovative production in power engineering, electrotechnical industry, IT and communication technologies

- **Increase of energy security**
  - Increase of the security of supply for final consumers, incl. the enhanced security requirements of the “digital” economy sectors, and improvements of the local energy independency

- **Improvements of the conditions for economic market integration and competition**
  - Decrease of the infrastructural and informational barriers for the electricity market integration and creation of the mass active consumer at the wholesale and retail levels

- **Increase of the labor productivity and safety**
  - Decrease of personnel, remote control and management of the facilities, decrease of the human involvement in their operation and maintenance
Optimizing the future shape and structure of Smart Power System

- Smart System elements
  - Technical facilities
  - Information and communication systems
  - Control systems

- Technical dimension
  - Variants of Smart Power Subsystem development
    - different composition of smart elements and their saturation levels

- Economical dimension
  - Smart Poser System development scenarios
    - different compositions of smart elements in all subsystems (consumers, distribution, transmission, generation, new dispatching and trading infrastructure)

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Cost and performance parameters must be revised at each stage of Smart Power System design and feasibility analysis.

- Variety of smart elements (technical and control) and variants of SPS subsystem development with different smart elements composition and saturation level.
- Engineering models of technical and operation control processes in electricity generation, transmission, distribution, consumption and system dispatching.
- Cost and performance parameters of smart elements, terms of their development and effective levels of introduction (saturation levels).
- Technically allowable whole SPS implementation scenarios based on integration of engineering decisions in separate SPS subsystems.
- Engineering models of technical and operation control processes in the whole power system (modeling of subsystem interaction).
- Required capital costs by variants of SPS implementation. Assessment of cumulative impact of technological effects on the future balance structure.
- Economically preferable SPS implementation scenarios, considering overall impact of the system effects on conditions of electricity and capacity balances and the economy as a whole.
- Balance-type economic model of energy system development, financial models of power sector as a whole and its subsectors.
- Cost/benefit estimation of changes in scale and structure of generation and grid development as well as pricing effects for consumers.

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Active consumers/prosumers – required technical and control solutions in the Smart Power System

Smart demand control systems (technologies and algorithms)

Integration and smart control for distributed generation and storage capacities

Smart reliability and quality of supply control systems based on the economic estimation of consumer’s losses

Technologies and algorithms providing active consumer’s role in system dispatching and supply of auxiliary services

Technologies and algorithms of connections and active interaction with transmission and distribution systems

Configuration of wholesale and local electricity and auxiliary services markets, access to markets, distribution of pricing effects

Technologies and algorithms for interaction with market infrastructure based on the smart metering systems

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Active consumers/Prosumers will form new competitive conditions for the traditional generation and grid suppliers.

- **Controlled electric loads**
  - industrial machines and facilities
  - lighting/heating/cooling
  - household appliances

- **Distributed generating sources**
  - co-generation
  - small and micro turbines
  - RES plants

- **Electricity storage technologies**

Additional supply of generating capacities to the market
Reduction capacity requirements due to lower peak demand

**Active consumer (Prosumer)**

Additional supply of frequency and voltage regulation services
Reliable operation in an ‘islanding’ mode during system accidents

**Electricity market**

**Ancillary services market**

**Grid companies**

Impact on the optimization of grid operation modes and T&D capacity loads
Elasticity of grid services demand

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Active consumers/Prosumers form a new competitive challenges to the traditional wholesale/regional centralized markets

Active consumers/Prosumers create new quality of the retail competition and provide effective competition to the centralized high-level markets and traditional power suppliers.
Development of active consumers/prosumers is an unconditional factor ensuring the Smart Power System development effectiveness

Most of direct economic effects are estimated at the consumer side, partially as a result of their active behavior in the Smart Power System

- Smart systems of demand, distributed generation and storage control make the main contribution to the reduction of generation and grid capacity requirements in the power system and provide the capital and operation cost savings in power industry

- Active behavior of consumers in the power system increases the competitiveness at the electricity and auxiliary services’ markets and provide the pricing effect as a power supply costs savings

- New technical opportunities and economic choice of consumers between distributed and centralized alternatives securing the reliability and quality of supply provide the saving of consumer’s economic losses and costs for their compensation.
Thank you for attention