# Optimal Day-Ahead Bidding in the MIBEL's Multimarket Energy Production System

C. Corchero, F.J. Heredia

Group of Numerical Optimization and Modelling - GNOM
Universitat Politècnica de Catalunya - UPC, Spain
http://gnom.upc.edu

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Introduction
Optimization Model
Case Study
Conclusions

Electricity Market
Physical Futures and Bilateral Contracts in the MIBEL
Market Sequence in the MIBEL

# Iberian Electricity Market: MIBEL
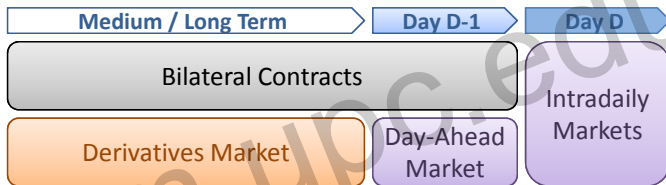


**Derivatives Market**

| Physical Futures Contracts |
| --- |
| Financial and Physical Settlement. Positions are sent to OMEL's Mercado Diario for physical delivery. |

| Financial Futures Contracts |
| --- |
| OMIClear cash settles the differences between the Spot Reference Price and the Final Settlement Price |

**Bilateral Contracts**

| Organized markets |
| --- |
| - Virtual Power Plants auctions (**EPE**) <br> - Distribution auctions (**SD**) <br> - International Capacity Interconnection auctions <br> - International Capacity Interconnection nomination |

| Non organized markets |
| --- |
| - **National** BC **before** the spot market <br> - **International** BC **before** the spot market <br> - **National** BC **after** the spot market |

**Day-Ahead Market**

| Day-Ahead Market |
| --- |
| Hourly action. The matching procedure takes place 24h before the delivery period. |
| Physical futures contracts are settled through a zero price bid. |

Introduction
Optimization Model
Case Study
Conclusions

Electricity Market
Physical Futures and Bilateral Contracts in the MIBEL
Market Sequence in the MIBEL

# Characteristics of Physical Futures and Bilateral Contracts

## Base Load Futures Contract

- A *Base Load Futures Contract* consists in a pair $(L^{FC}, \lambda^{FC})$
  - $L^{FC}$: amount of energy (MWh) to be procured each interval of the delivery period.
  - $\lambda^{FC}$: price of the contract (c€/MWh).

## Bilateral Contracts

- A *Bilateral Contract* consists in a pair $(L_t^{BC}, \lambda_t^{BC})$ $t \in T$
  - $L_t^{BC}$: amount of energy (MWh) to be procured each interval $t$ of the delivery period.
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Introduction
Optimization Model
Case Study
Conclusions

Electricity Market
Physical Futures and Bilateral Contracts in the MIBEL
Market Sequence in the MIBEL

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Introduction
Optimization Model
Case Study
Conclusions

Electricity Market
Physical Futures and Bilateral Contracts in the MIBEL
Market Sequence in the MIBEL

# Integration of the futures and bilateral contracts in the DAM bid

The energies $L^{FC}$ and $L_t^{BC}$ must be integrated in the MIBEL's DAM bid respecting the two following rules:

1. If generator $i$ contributes with $f_{it}$ MWh at period $t$ to the coverage of the FCs, then the energy $f_{it}$ must be offered to the pool for 0 (instrumental price bid).

2. If generator $i$ contributes with $b_{it}$ MWh at period $t$ to the coverage of the pool of BCs, then the energy $b_{it}$ must be excluded from the bid to the day-ahead market. Unit $i$ can offer its remaining production capacity $\overline{P}_i - b_{it}$ to the pool.

Introduction
Optimization Model
Case Study
Conclusions

Electricity Market
Physical Futures and Bilateral Contracts in the MIBEL
Market Sequence in the MIBEL

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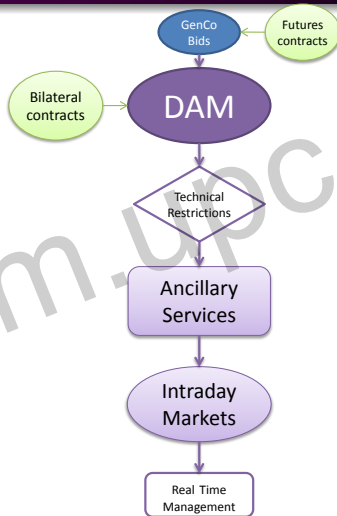
1. If generator $i$ contributes with $f_{itj}$ MWh at period $t$ to the coverage of the FC $j$, then the energy $f_{itj}$ must be offered to the pool for free (instrumental price bid).

2. If generator $i$ contributes with $b_{it}$ MWh at period $t$ to the coverage of the pool of BCs, then the energy $b_{it}$ must be excluded from the bid to the day-ahead market. Unit $i$ can offer its remaining production capacity $\overline{P}_i - b_{it}$ to the pool.

Introduction
Optimization Model
Case Study
Conclusions

Electricity Market
Physical Futures and Bilateral Contracts in the MIBEL
Market Sequence in the MIBEL

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Introduction
Optimization Model
Case Study
Conclusions

Electricity Market
Physical Futures and Bilateral Contracts in the MIBEL
Market Sequence in the MIBEL

# Electricity Market Description

Introduction
Optimization Model
Case Study
Conclusions

Electricity Market
Physical Futures and Bilateral Contracts in the MIBEL
Market Sequence in the MIBEL

# Characteristics of the sequence of markets in the MIBEL

## Ancillary Services

- Takes place after the DAM

- The participants send bids to potentially increase or decrease the matched energy of the matched units in the DAM.

- If a bid is matched the unit must be available to increase or decrease its generation level in a given interval.

## Intraday Markets

- It consists of 6 consecutive markets. It takes place just before and during the delivery day.

- It works exactly as the DAM, except the GenCo can participate as a buying or selling agent.

Introduction
Optimization Model
Case Study
Conclusions

Electricity Market
Physical Futures and Bilateral Contracts in the MIBEL
Market Sequence in the MIBEL

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Introduction
Optimization Model
Case Study
Conclusions

Electricity Market
Physical Futures and Bilateral Contracts in the MIBEL
Market Sequence in the MIBEL

# Integration of the market sequence in the DAM bid

The market sequence is integrated in the DAM bid model with the following considerations:

1. A GenCo that participates in the Ancillary Services always bid the AGC capacity of the unit and, the only decision to be optimized is whether it participates or not.

2. In order to participate in the Ancillary Services the change in the generation output of a unit between two successive intervals must be within certain limits.

3. Just the first Intraday Market is considered.

4. In a specific interval, a unit can only participate as a selling or buying agent, not both.

Introduction
Optimization Model
Case Study
Conclusions

Electricity Market
Physical Futures and Bilateral Contracts in the MIBEL
Market Sequence in the MIBEL

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Introduction
Optimization Model
Case Study
Conclusions

Problem definition
Multistage stochastic program formulation

# Problem definition

The objective of the study is to decide the:

- DAM instrumental price bid
- optimal economic dispatch of the physical futures and bilateral contract among units

maximizing the expected market sequence profits
taking into account the commitments deriving from futures contracts and bilateral contracts, the technical production constraints and the stochasticity of the electricity prices.

Introduction
Optimization Model
Case Study
Conclusions

Problem definition
Multistage stochastic program formulation

## Variables

First stage variables:

- $q_{it} \geq 0$: Instrumental price offer bid in the DAM
- $f_{itj} \geq 0$: Scheduled energy for futures contract $j$
- $b_{it} \geq 0$: Scheduled energy for bilateral contracts

Second and third stage variables:

- $p_{it}^s$: Total generation
- $p_{it}^{M,s}$: Matched energy in the DAM
- $r1_{it}^s, r2_{it}^s, r3_{it}^s \in \{0,1\}$: Ancillary Services related variables
- $w_{it}^s \geq 0, y_{it}^s \geq 0$: Energy of the sell or purchase bid for the Intraday Market
- $v_{it}^s \in \{0,1\}$: Intraday Market related binary variable

Introduction
Optimization Model
Case Study
Conclusions

Problem definition
Multistage stochastic program formulation

# Day-Ahead Market

## DAM constraints

Matched energy bounded between the instrumental price offer and the total available energy

$$p_{it}^{M,s} \geq q_{it} \qquad \forall i \in I \quad \forall t \in T \quad \forall s \in S$$

$$p_{it}^{M,s} \leq \overline{P}_i - b_{it} \qquad \forall i \in I \quad \forall t \in T \quad \forall s \in S$$

Limits to the instrumental price bid quantity

$$q_{it} \geq \underline{P}_i - b_{it} \qquad \forall i \in I \quad \forall t \in T$$

$$q_{it} \geq 0 \qquad \forall i \in I \quad \forall t \in T$$

$$q_{it} \geq \sum_{j | i \in U_{jt}} f_{itj} \qquad \forall i \in I \quad \forall t \in T$$

Introduction
Optimization Model
Case Study
Conclusions

Problem definition
Multistage stochastic program formulation

# Bilateral and Futures Contracts

### Futures contracts constraints

$$\sum_{i \in U_{jt}} f_{itj} = L_j^{FC} \quad \forall j \in F \quad \forall t \in T$$

### Bilateral contracts constraints

$$\sum_{i \in I} b_{itj} = L_t^{BC} \quad \forall t \in T$$

$$b_{it} \leq \overline{P}_i \quad \forall i \in U_t \quad \forall t \in T$$

Introduction
Optimization Model
Case Study
Conclusions

Problem definition
Multistage stochastic program formulation

# Bilateral and Futures Contracts

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$$b_{it} \leq \overline{P}_i \qquad \forall i \in U_t \quad \forall t \in T$$

Introduction
Optimization Model
Case Study
Conclusions

Problem definition
Multistage stochastic program formulation

# Market sequence (I/III)

Ancillary services constraints (I/II)

$$\Delta p_{it}^s = p_{it}^s - p_{i(t-1)}^s \quad \forall i \in I \quad \forall t \in T \setminus \{1\} \quad \forall s \in S$$

**Ancillary services model:**

*Constant* generation level: If $\Delta p_{it}^s \in [-k, k] \Rightarrow r1_{it}^s = 1$

Ramping up: If $\Delta p_{it}^s \geq k \Rightarrow r2_{it}^s = 1$

Ramping down: If $\Delta p_{it}^s \leq -k \Rightarrow r3_{it}^s = 1$

Introduction
Optimization Model
Case Study
Conclusions

Problem definition
Multistage stochastic program formulation

## Market sequence (II/III)

### Ancillary services constraints (II/II)

$$(k - \Delta p_{it}^s) \geq M^R(r1_{it}^s - 1) \qquad \forall i \in I \quad \forall t \in T \quad \forall s \in S$$

$$(k + \Delta p_{it}^s) \geq M^R(r1_{it}^s - 1) \qquad \forall i \in I \quad \forall t \in T \quad \forall s \in S$$

$$(\Delta p_{it}^s - k) \geq M^R(r2_{it}^s - 1) \qquad \forall i \in I \quad \forall t \in T \quad \forall s \in S$$

$$(\Delta p_{it}^s + k) \leq M^R(1 - r3_{it}^s) \qquad \forall i \in I \quad \forall t \in T \quad \forall s \in S$$

$$r1_{it}^s + r2_{it}^s + r3_{it}^s = 1 \qquad \forall i \in I \quad \forall t \in T \quad \forall s \in S$$

Introduction
Optimization Model
Case Study
Conclusions

Problem definition
Multistage stochastic program formulation

# Market sequence (III/III)

### Intraday Market constraints

$$w_{it}^s \leq M^I v_{it}^s \qquad \forall i \in I \quad \forall t \in T \quad \forall s \in S$$

$$y_{it}^s \leq M^I (1 - v_{it}^s) \qquad \forall i \in I \quad \forall t \in T \quad \forall s \in S$$

$$y_{it}^s, w_{it}^s \geq 0 \qquad \forall i \in I \quad \forall t \in T \quad \forall s \in S$$

Introduction
**Optimization Model**
Case Study
Conclusions

Problem definition
Multistage stochastic program formulation

# Total generation and non-anticipativity constraints

### Total generation constraints

$$p_{it}^s = b_{it} + p_{it}^{M,s} - y_{it}^s + w_{it}^s \qquad \forall t \in T \quad \forall i \in U_t \quad \forall s \in S$$

$$\underline{P}_i - g_i r1_{it}^s \leq p_{it}^s \leq \overline{P}_i - g_i r1_{it}^s \qquad \forall t \in T \quad \forall i \in U_t \quad \forall s \in S$$

### Non-anticipativity constraints

$$p_{it}^{\hat{s}} = p_{it}^{\hat{s}} \qquad \forall s, \hat{s} : (\lambda^{Ds} = \lambda^{D\hat{s}}) \quad \forall t \in T$$

$$r1_{it}^s = r1_{it}^{\hat{s}} \qquad \forall s, \hat{s} : ((\lambda^{Ds}, \lambda^{Rs}) = (\lambda^{D\hat{s}}, \lambda^{R\hat{s}})) \quad \forall t \in T$$

Introduction
Optimization Model
Case Study
Conclusions

Problem definition
Multistage stochastic program formulation

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Introduction
**Optimization Model**
Case Study
Conclusions

Problem definition
Multistage stochastic program formulation

## Objective function

$$\max_{p,q,f,b} \sum_{t \in T} \sum_{i \in U_t} \sum_{s \in S} P^s \left[ \lambda_t^{Ds} p_{it}^{M,s} + \lambda_t^{Rs} r1_{it}^s g_i + \right.$$

$$\left. + \lambda_t^{ls} y_{it}^s - \lambda_t^{ls} w_{it}^s - c_i^l p_{it}^s \right]$$

Introduction
Optimization Model
**Case Study**
Conclusions

Case Study characteristics
Results

# Case Study characteristics

- Real data from the Spanish Market about the generation company and the market prices.

- 10 thermal generation units from a Spanish GenCo with daily bidding in the Spanish Market.

- Market prices from January $1^{rst}$, 2008 to January $1^{rst}$, 2009.

- Scenario set built from the reduction of available historical data.

- Model implemented and solved with AMPL/CPLEX

Introduction
Optimization Model
**Case Study**
Conclusions

Case Study characteristics
**Results**

# Results: energy committed to futures contracts



Multimarket

DAM

Introduction
Optimization Model
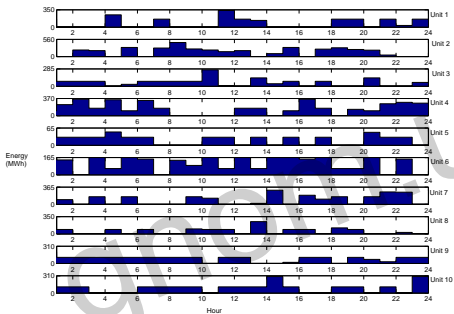**Case Study**
Conclusions

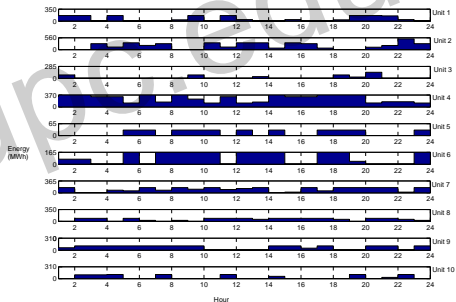Case Study characteristics
Results
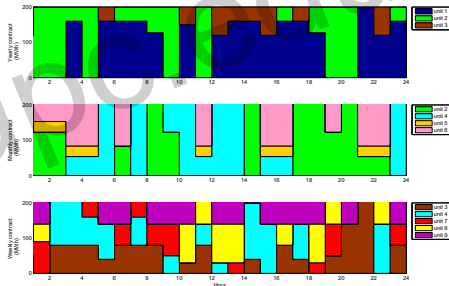
# Results: bilateral contracts settlement



Multimarket

DAM

## Conclusions

- It has been developed a model for the optimal DAM bid with Futures and Bilateral Contracts taking into account the Ancillary Services and the first Intraday Market.

- The optimal solution determines the optimal instrumental price bidding and the optimal economic dispatch of the BCs and the FCs.

- The numerical experiments show how the Ancillary Services and the Intraday Market affect both the optimal bid to the DAM and the optimal allocation of the energy of the Bilateral and Futures Contracts among the generation units.

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