Forecasting load on the distribution and transmission system with distributed energy resources

Andrew D. Mills

Berkeley Lab

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Importance of Including Distributed Energy Resources in Load Forecasts

- Distribution system investments: replacing aging infrastructure and distribution expansion
- Procurement of generating capacity to meet peak demand
- Proactive investments to increase hosting capacity
- Evaluating the costs and benefits of incentives or policies to promote distributed energy resources (DER)
Impact of DPV on T&D Investments: Potential Deferral Value

Source: Adapted from Cohen et al. 2016
Increasing Adoption of DER Increases the Importance of Accurate Forecasts in Planning

Costs of roughly $70 million from severe underforecasting and $20 million from severe overforecasting for a utility with sales >10TWh/yr and with up to 8.5% of sales from DPV by the end of a 15-year period.

Source: Gagnon et al. (forthcoming)
Planning for a Distributed Disruption: Innovative Practices for Incorporating Distributed Solar into Utility Planning

Context

- Analysts project that distributed solar photovoltaics (DPV) will continue growing rapidly across the United States.
- Growth in DPV has critical implications for utility planning processes, potentially affecting future infrastructure needs.
- Appropriate techniques to incorporate DPV into utility planning are essential to ensuring reliable operation of the electric system and realizing the full value of DPV.

Approach

- Comparative analysis and evaluation of roughly 30 recent planning studies, identifying innovative practices, lessons learned, and state-of-the-art tools.

Scope

- Electric infrastructure planning (IRPs, transmission, distribution).
- Focus on the treatment of DPV, with emphasis on how DPV growth is accounted for within planning studies.
Key Findings

- Forecasting load with DER is often “top-down”: separately forecast load and quantity of DER at the system level, allocate that system forecast down to more granular levels.

- Many factors affect customer decisions to adopt DER, including the cost and performance of DER, incentives, customer retail rates, peer-effects, and customer demographics. Customer-adoption models can help account for many of these factors.

- Forecasts are uncertain: It may be valuable to combine various approaches and to benchmark against third-party forecasts.
High End of 3rd Party Forecasts Suggests More DPV Than Considered By Utilities

HECO   PG&E   LADWP   APS   NVP   TEP   PNM   ELA   TVA   FP&L   GPC   DOM   ISO-NE   NYISO   DEI   NSP   PAC   NWPCC   PSE   IPC   WECC
Hawaii, California, Desert Southwest
South
Northeast
Midwest
Northwest
West

DPV penetration (% of retail sales)
Near-term (~2020) planner estimate
Long-term (~2030) planner estimate
Near-term (~2020) 3rd party forecasts
Long-term (~2030) 3rd party forecasts
A Variety of Methods are Used to Develop DPV Forecasts

Note: All utility planner estimates for the near term (2020) are shown in darker colors. Longer-term estimates are depicted in lighter colors and pertain to the year 2030 with the exception of APS, whose long-term estimate references the year 2029.

As noted in Table 5, some forecasts use multiple methodologies. In such cases, we used our judgment to categorize the forecast's methodology.

Figure 7. Utility DPV Forecasts Grouped by Forecasting Methodology

3.5. Improving Representation of Customer-Adoption Decisions

Agent-based models (ABMs) have emerged as common, bottom-up techniques for simulating customer adoption of new technologies, because they are well suited to represent the complexities of consumer behavior and technology valuation. ABMs are a class of computational models for simulating the interactions and actions of distinct autonomous agents and, by association, assessing their effects on a larger system. These models have been successfully used to forecast aggregate PV deployment at the city, regional (Rai and Robinson), and national levels. In this sub-section, we highlight recent state-of-the-art models that have been used to forecast DPV adoption, and we note unresolved issues in the literature.

Though these advanced methods are not employed in the utility planning documents we review, they build on the customer-adoption modeling framework described in Section 3.2 and represent potential improvements to DPV forecasting tools.
DPV Deployment Drivers

► DPV economics:
  ■ DPV technology cost and performance
  ■ Federal and State incentives
  ■ New business models (e.g., third party ownership)
  ■ Electricity prices
  ■ Rate design (including the availability of Net Energy Metering)

► Public policy:
  ■ Renewables Portfolio Standards and environmental requirements
  ■ CO₂ regulation

► Customer preferences:
  ■ DPV deployment may be shaped by interest in increased customer choice

► Macro factors:
  ■ Economic growth, load growth, oil prices, and cost and availability of complementary technologies (e.g. storage and electric vehicles)
# Customer-Adoption Modeling Brings Customer Decisions Into DPV Forecast

<table>
<thead>
<tr>
<th>Method</th>
<th>Description</th>
<th>Predictive Factors Used</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>Recent installation rates</td>
</tr>
<tr>
<td><strong>Stipulated Forecast</strong></td>
<td>Assumes end-point DPV deployment</td>
<td></td>
</tr>
<tr>
<td><strong>Historical Trend</strong></td>
<td>Extrapolates future deployment from historical data</td>
<td>X</td>
</tr>
<tr>
<td><strong>Program-Based Approach</strong></td>
<td>Assumes program deployment targets reached</td>
<td></td>
</tr>
<tr>
<td><strong>Customer-Adoption Modeling</strong></td>
<td>Uses adoption models that represent end-user decision making</td>
<td>X</td>
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Some Planners Use Customer-adoption Models for DPV Forecasting

- Technical Potential
- Willingness-to-adopt
- Diffusion

Adapted from: Gagnon et al. 2016

*illustrative
Technical Potential Estimates Are Typically Based on Customer Count and Rooftops

- Technical potential studies used by utilities in our sample of studies were based primarily on customer counts and floor space surveys
  - Rooftop space is based on average number of floors and assumptions about the density of PV arrays
- New emerging tools like Light Detection and Ranging (LiDAR) imaging can refine technical potential estimates:
  - Infer shading, tilt, and azimuth from rooftop images
  - Apply availability constraints to exclude unsuitable orientations or insufficiently large contiguous areas
- Can also refine with permitting and zoning restrictions, if applicable
Factors Affecting Customer Economics of DPV Can Significantly Affect Forecasts

- **PacifiCorp** forecast of DPV created a High and Low forecast by varying factors impacting customer economics:
  - DPV cost, DPV performance, and electricity retail rate escalation

- Willingness-to-adopt curve translates the payback period of DPV to ultimate share of the technical potential.

- Payback period depends on both the cost to the consumer and the consumer bill savings.

- The cost to the consumer will be affected by declining costs of DPV and availability of incentives (e.g., the investment tax credit).

- The consumer bill savings depend on rate levels, rate design, and availability of Net Metering.
Rate Design Can Significantly Affect Adoption of Distributed PV

Source: Darghouth et al. 2016
The technical potential for WECC assumes that 50% of customers could add PV and that typical system sizes are 4 kW for residential and 50 kW for commercial customers (WECC 2015).

The willingness-to-adopt curve is a relationship between the customer economics of PV (often represented by the simple payback period) and the ultimate market share that could be achieved with enough time (as a percentage of the technical potential).

The willingness-to-adopt curves used in the utility forecasts are shown in Figure 4. The willingness-to-adopt curves used by PAC were developed by Navigant through previous research based on customer surveys, historical program data, and industry interviews. The curve used by the CEC for PG&E's forecast is from a customer-adoption model (SolarSim) in an Arizona PV study by R.W. Beck (2009), which averages curves from Navigant and curves developed based on heat pump adoption (Kastovich et al. 1982).

PSE references the same curve used by PG&E, though it ultimately develops its own curve, citing concern that PSE customers may have different preferences.

The WECC curves have the same functional form found in NREL's SolarDS model.

The simple payback period accounts for the cost of purchasing a PV system, the bill savings (which depend on PV performance and retail rates), and incentives.

Note: Dashed gray lines (WECC) are for existing buildings, and dotted gray lines are for new buildings.
Payback period is not a useful metric for systems that are leased from a third party

Willingness-to-adopt curves can also be defined in terms of monthly bill savings

Innovative Business Models Shift Focus from Payback to Monthly Bill Savings
The Bass diffusion model and Fisher-Pry model are two common choices that produce the characteristic “S-Curve” in adoption.
Diffusion Curves for DPV Forecasts Are Often Based on Fits to Data, and Can Vary Widely

- Important feature of diffusion curves is that period of rapid adoption can follow period with relatively low shares of adoption.

- Similar behavior has been observed for several consumer durable goods including refrigerators, VCRs, internet access, and mobile phones.
### Propensity to Adopt Accounts for Factors Like Customer Demographics

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<tr>
<td></td>
<td></td>
<td>Location of existing load or population</td>
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<tr>
<td>Proportional to Load</td>
<td>Assumes DPV is distributed in proportion to load or population</td>
<td>X</td>
</tr>
<tr>
<td>Proportional to Existing DPV</td>
<td>Assumes DPV grows in proportion to existing DPV</td>
<td></td>
</tr>
<tr>
<td>Propensity to Adopt</td>
<td>Predicts customer adoption based on factors like customer demographics or customer load</td>
<td>X</td>
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Predicting the Location of DPV Adoption Using Propensity to Adopt

**Source:** PG&E 2015 DRP
Factors Considered in PG&E’s Propensity to Adopt Metric

- Residential Customers:
  - Home ownership
  - Electricity usage
  - Income
  - Credit
  - Building characteristics (area, number of stories)

- Non-Residential Customers:
  - Property Ownership
  - Electricity usage
  - Retail Rate
  - Business type (NAICS)
  - Building characteristics (area, number of stories)

- Propensity to adopt metric is then used to allocate system forecast down to customers.

Source: PG&E presentation to DRPWG (4/2017)
Agent based models simulate actions and interactions of agents to assess their individual effects on a larger system.

- Allows for better representation of heterogeneity of customers and more complex decision-making criteria.

Discrete choice models have a well defined methodology for soliciting customer preferences and can model competition between several options.

- Provides framework for empirically derived forecasts.

Some open questions:

- How might consumption change after adoption of DPV: is there a rebound effect?
- How does the willingness-to-adopt curve vary across customer segments?
- How does customer adoption of DPV compare to customer demand for community solar? Do these two options compete directly for market share or are they complementary?
Additional Challenges: Removing DER from Historical Load to Create Accurate Load Forecasts

- PJM recently adjusted load forecasting methodology to better account for behind-the-meter PV.

- Original approach used the observed load to forecast future load, without adjusting for effect of behind-the-meter DPV on the observed load. Load reductions from behind-the-meter DPV were being attributed to new end uses in the load forecasting model.

- Revised approach removes estimate of historical PV before forecasting load, then adds back in forecast of DPV to new net load forecast.

Additional detail: Falin (2015)
More Examples of DER in Transmission Plans

► Evaluating DPV as a resource option:
  ◼ CAISO transmission planning process identifies transmission needs to meet reliability criteria, then examines feasibility of meeting needs with DPV.
  ◼ If CAISO finds it is feasible to meet needs with increased DPV, information is passed onto CPUC and utilities to determine if programs to encourage additional DPV would be cost-effective.

► Locating DPV within the system:
  ◼ ISO-NE and NYISO use the load-zone-level DPV forecast in their capacity markets and transmission planning. PJM adjusts the load-zone peak demand by the on-peak contribution of DPV for its capacity market and transmission planning.

► Peak demand reduction (i.e. transmission level capacity credit):
  ◼ ISO-NE and PJM use a stricter definition of peaks in transmission planning than for the capacity market.

► Consistent scenarios across planning forums:
  ◼ CAISO/CPUC/CEC coordination, NYISO Gold Book, ISO-NE 10-year regional planning process to coordinate assumptions
Some DER are similar to DPV:
- Systems can be installed either in-front-of- or behind-the-meter
- Adoption can occur for residential, commercial, or industrial customers

These technologies have yet to see significant adoption due to higher cost or other barriers, but adoption might increase in the future. Similar forecasting tools and models can be used for these emerging technologies.

Other DER systems are different in that the system cost, performance, and design are specific to individual customers and systems tend to be larger (e.g., CHP units).

In these cases, local knowledge from distribution planners might be more useful than the top-down methods described here.
Key Questions for Regulators About DER Forecasts

- What are the primary factors that drive your forecast of DER adoption? How do you consider customer economics and factors that might affect customer economics within the forecasting horizon?
- How do you account for the tendency for adoption of technologies to follow an S-shaped curve?
- How does your forecast compare to forecasts from third parties for the same region?
- How do you account for factors that might be uncertain such as availability of future incentives, technology cost, or customer choice?
- Do you use a top-down method to forecast DER adoption at the system level? If so, how do you allocate that forecast down to the distribution level? Do you account for differences in customer demographics?
References


