

**STATE OF WISCONSIN**

**BEFORE THE PUBLIC SERVICE COMMISSION OF WISCONSIN**

)  
**Application of Wisconsin Power and Light Company for Issuance )  
of a Certificate of Public Convenience and Necessity for )  
Construction and Placement in Operation of Docket No. 6680-CE- ) DOCKET NO.  
170 an Approximately 300 MW Coal-Fired Baseload Facility and ) 6680-CE-170  
an Application for Approval of Fixed Financial Parameters and )  
Capital Cost Rate-Making Principles for the Baseload Facility )  
)**

---

**Surrebuttal Testimony of  
Robert M. Fagan  
Synapse Energy Economics, Inc.**

**On Behalf of Clean Wisconsin**

**September 15, 2008**

## 1 List of Exhibits

2

3 Exhibit \_\_ (RMF-5): Final Report, 2006 Minnesota Wind Integration Study, Volume 1, prepared by  
4 EnerNex for the Minnesota Department of Commerce, December 2006

1   **Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS ADDRESS.**

2   A.   My name is Robert M. Fagan. I am a Senior Associate at Synapse Energy Economics, Inc., 22

3           Pearl Street, Cambridge, Massachusetts, 02139.

4   **Q. ARE YOU THE SAME ROBERT M. FAGAN WHO PRESENTED DIRECT  
5           TESTIMONY IN THIS PROCEEDING ON AUGUST 11, 2008?**

6   A.   Yes.

7   **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

8   A.   I am testifying on behalf of Clean Wisconsin.

9   **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

10   A.   The purpose of my surrebuttal testimony is to address points put forward in the rebuttal  
11       testimony of Mr. Friedman, Mr. Bauer, Mr. Vesperman, and Mr. Zuhlke.

12   **Q. WHAT REBUTTAL TESTIMONY ASSERTIONS MADE BY MR. BAUER AND MR.  
13       VESPERMAN AND MR. ZUHLKE ARE YOU ADDRESSING?**

14   A.   Mr. Bauer and Mr. Vesperman and Mr. Zuhlke discuss the following:

15       1.   The nature of wind energy and “baseload” energy needs.

16       2.   The cost of energy from new wind resources compared to the cost of energy from NED 3,  
17           and the trends in costs for wind energy.

18       3.   The ability of the transmission system to handle larger amounts of wind than WPL  
19           currently includes in its base resource plan.

1           4.     The technical and economic feasibility of WPL to reach 20% or 25% of electricity needs  
2                       with wind power by 2025.

3   **Q.   WHAT DO THE WITNESSES CLAIM IN REGARDS TO THE NATURE OF WIND  
4               ENERGY AND WPL'S "BASELOAD" ENERGY NEEDS?**

5   A.   All of the witnesses noted above refer to WPL's need for "baseload" energy and wind's inability  
6               to meet that need. But rather than relying upon careful economic analysis reflecting the true  
7               construction and operating cost of NED 3, actual reserve margin requirements, and including the  
8               impact of likely greenhouse gas emission regulations, they rely heavily upon the conventional  
9               definition of baseload energy to exclude the potential for wind energy to economically meet a  
10               sizable fraction of WPL's energy needs, especially over the longer-term period in which they  
11               plan for NED 3, which in the EGEAS runs is through 2035.

12   **Q.   HOW CAN A VARIABLE OUTPUT RESOURCE SUCH AS WIND CONTRIBUTE TO  
13               MEETING A BASELOAD ENERGY NEED?**

14   A.   Wind contributes to meeting baseload, or all-hours, energy needs by serving those needs with  
15               very low marginal costs in all hours over which it operates. Just because wind is not  
16               "dispatchable" in the same sense as fossil-fuel plants does not disqualify it from contributing  
17               towards baseload energy needs. The variable-output nature of the resource puts it outside the  
18               conventional framework which considers resources either baseload, intermediate or peaking. But  
19               whether or not wind meets the traditional definition of "baseload" is irrelevant. What is relevant  
20               is the comparative economics of reliably meeting WPL's energy needs with a portfolio of  
21               resources that includes NED 3 and one that excludes NED 3 and includes greater amounts of  
22               wind resources and other inexpensive resources such as increased energy efficiency and demand

1 response. As Mr. Schlissel has testified, WPL has yet to conduct EGEAS runs that recognize the  
2 full costs and risks of NED 3, that properly capture the revised planning reserve margin for WPL,  
3 and that properly captures the effect of carbon regulation on future costs for operating NED 3.

4 **Q. MR. VESPERMAN CRITICIZES YOUR USE OF THE NREL/WIND POWERING**  
5 **AMERICA CHART WHEN ASSESSING COMPARATIVE WIND AND COAL COSTS.**  
6 **PLEASE COMMENT.**

7 A. The chart is illustrative of nationwide trends. For any specific case, a more careful assessment of  
8 regional comparative costs must be made. Mr. Vesperman's own exhibit KDV-2 coupled with  
9 actual cost information about NED 3 conveys my overall point that, in this case, energy from  
10 wind in the Heartland and Great Lakes region is less expensive than energy from NED 3, even  
11 without the effect of the PTC, as is seen in Mr. Vesperman's Figure 2 of his rebuttal testimony  
12 (page 32).

13 **Q. HOW MUCH IS WPL-REGION WIND LIKELY TO COST?**

14 A. While Mr. Vesperman criticizes the NREL table, he includes a table from the Black and Veatch  
15 report in his testimony on page 32 that he admits likewise does not include the cost of  
16 transmission. That table indicates that wind energy costs are expected to decline, in real terms,  
17 over the period 2005 to 2030, for all resource classes. The table illustrates the nature of the cost  
18 trends likely to be seen with wind power, and it already includes the run-up in costs seen in  
19 recent years due to fundamental market impacts including the exchange rate increase between  
20 Euros and US dollars<sup>1</sup>. It shows that even in relative marginal resource areas (class 3), wind

---

<sup>1</sup> Exhibit RMF-3, page 22.

Surrebuttal Testimony of Robert M. Fagan

1       energy leveled costs will range from \$94/MWh. (in 2005) to \$70/MWh (in 2030). In more  
2       attractive resource areas, the costs are lower (i.e., class 5 costs range from \$78 to \$60 per MWh  
3       over the same time frame). That is, based on Mr. Vesperman's Figure 2, the cost of wind in  
4       Wisconsin for the NED 3 planning period will range from \$94/Mwh to \$70/MWh.

5       **Q. HOW MUCH IS ENERGY FROM NED 3 LIKELY TO COST?**

6       A.     Because NED 3 is so small, the scale economies are very poor and the per unit energy costs are  
7       high. The fixed costs alone associated with energy from NED 3 will be on the order of  
8       \$80/MWh. The variable costs for energy from NED 3 will depend on fuel, operation and  
9       emissions costs. It is likely that variable costs for NED 3 will result in total costs for NED 3  
10      energy exceeding \$100/MWh, also when not considering the cost of transmission. Compared to  
11      what is shown in Figure 1 of my direct testimony, NED 3 is among the most expensive of the  
12      “new coal” resources being considered around the US. Thus, by Mr. Vesperman’s own  
13      references, wind energy is significantly more economical than NED 3 energy over the longer-  
14      term of the planning period for NED 3.

15      **Q. IS TRANSMISSION A BOTTLENECK TO INSTALLING MORE WIND RESOURCES  
16            IN THE WPL AND MISO AREA?**

17      A.     Currently, transmission is a bottleneck to increasing the amounts of wind to levels approaching  
18       the 20% to 25% penetration as dictated by some state RPS’s in the region. And it is true that  
19       transmission stands as one of the thornier hurdles wind energy needs to overcome to achieve  
20       such levels of penetration. However, WPL has characterized this bottleneck as so difficult that  
21       they cannot consider higher levels of wind for the year 2025, 17 years into the future, or for that  
22       matter, for any years after 2010, which is when they last add wind in their base planning case.

Surrebuttal Testimony of Robert M. Fagan

1        This is myopic. Already, Wisconsin has approved and even completed major 345 kV  
2        transmission projects that in the near term (within 2 years, when Paddock Rockdale is complete)  
3        will likely eliminate Wisconsin's designation as a narrowly constrained region in MISO<sup>2</sup>. For  
4        example, the draft MTEP08 report states the following, in section 8.1.3:

5            "The WUMS [Wisconsin-Upper Michigan System constraint] and Northern WUMS are  
6        mitigated by existing plans, therefore, no new transmission plans are required to mitigate  
7        those NCAs [narrowly constrained areas]. The NCA TRG recommended that the projects to  
8        address the NCAs and their implementation schedule will be sent to Independent Market  
9        Monitor to make him aware of when NCA is expected to be mitigated. After these upgrades  
10      are constructed, a request to remove the NCA will be formally made."

11       It is clear, then, that Wisconsin will not have a narrowly constrained status throughout the NED 3  
12      planning period.

13           At the same time, ongoing and intensive planning efforts at MISO will likely result in  
14      significant improvements to the current bottleneck (as one example, FERC recently approved a  
15      change in MISO generation interconnection queue policy<sup>3</sup>), thus assisting MISO states in  
16      meeting longer-term RPS goals. Mr. Vesperman provides a snapshot of one current MISO  
17      process, the "Regional Generation Outlet Study", in his rebuttal testimony at page 36. But this  
18      isolated reference does not mean that because of current concerns, WPL can't add any more wind  
19      after 2010, nor does it mean that they can only support 300 MW of wind on their system. The  
20      magnitude, pace and geographical pattern of wind additions by WPL to meet their load will  
21      obviously be subject to transmission concerns, but WPL has grossly exaggerated the limitations  
22      present, especially in the long term.

---

<sup>2</sup> Available at [http://midwestmarket.org/publish/Folder/24743f\\_11ad9f8f05b\\_-7d490a48324a?rev=1](http://midwestmarket.org/publish/Folder/24743f_11ad9f8f05b_-7d490a48324a?rev=1)

<sup>3</sup> 124 FERC ¶ 61,183, August 25, 2008, "Order Conditionally Accepting Tariff Revisions Addressing Queue Reform", Docket No. ER08-1169-000.

1     **Q.     MR. BAUER DISCUSSES A REQUIREMENT OF 2,000 TO 3,000 MW OF WIND TO**  
2       **OBTAIN THE “EQUIVALENT 300 MW OF RESERVE MARGIN CAPACITY” OF NED**  
3       **3. IS THIS A REASONABLE COMPARISON?**

4     A.    No. Mr. Bauer presents this information in the context of a capacity need; wind is usually  
5       considered primarily for energy needs. Just as it doesn't make economic sense to build a coal  
6       plant to meet peaking requirements, you wouldn't build or buy wind power to obtain reserve  
7       margin capacity. You do it to meet energy needs. Meeting peak period requirements (i.e.,  
8       having enough reserve margin capacity) over the planning period may require incremental gas-  
9       fired CT or CC resources, either existing or new. Cost-effective energy efficiency and demand  
10      response will help to minimize the need to use such conventional peaking resources.

11    **Q.     WHAT IS THE EQUIVALENT LEVEL OF WIND POWER NEEDED TO OBTAIN THE**  
12       **ENERGY OUTPUT OF A NED 3 COAL PLANT?**

13    A.    The table below illustrates that annual energy output equivalent to NED 3 could be met with an  
14       installed wind capacity ranging roughly from 536 MW to 844 MW, depending on assumptions  
15       for resource annual capacity factor.

16    **Table 1. Installed Wind Power to Meet Annual Energy Equivalent of NED 3.**

NED 3 CF	NED 3 Annual GWh	MW of Installed Wind to Match Energy Output of NED 3			
		Average Annual CF of Wind Plant	32%	37%	42%
75%	1,971		703	608	536
80%	2,102		750	649	571
85%	2,234		797	689	607
90%	2,365		844	730	643

1     **Q.    WPL WITNESS BAUER TESTIFIES THAT COMBINED CYCLE GENERATION IS**  
2           **ONLY INTERMEDIATE CAPACITY AND IS, THEREFORE, NOT BASELOAD**  
3           **CAPACITY. DO YOU AGREE?**

4     A.    No. In numerous areas of the U.S., combined cycle power plants are operated as baseload  
5        capacity. Combined cycle units do have the added advantage that they can be used to follow  
6        load, as intermediate capacity. But that is an advantage – it does not mean that baseload plants  
7        cannot be counted on to operate as baseload units.

8           In fact, the Commission specifically found in its December 20, 2002 Final Decision  
9        approving the proposed Port Washington Generating Station that the two combined unit facility  
10      would be capable of either baseload or intermediate load operation. [Final Decision in Docket  
11      No. 05-CE-117, at page 8]

12    **Q.    MR. BAUER REFERENCES YOUR PROPOSAL TO BUILD 1,000 MW OF WIND AND**  
13          **IMPLIES YOU INTENDED IT TO BE BUILT BY 2013. PLEASE COMMENT.**

14    A.    I do not propose that WPL plan for and build 1,000 MW of wind by 2013. I clearly stated that  
15        WPL needed 1,500 MW more than it has in its base plan if it were to meet a goal of 25% energy  
16        by wind by 2025<sup>4</sup>, one possible future RPS requirement in Wisconsin.

17    **Q.    MR. BAUER STATES THAT YOU HAVE NOT CONSIDERED THE COSTS OF**  
18          **TRANSMISSION TO INSTALL 1,000 MW OF WIND. HAVE YOU?**

19    A.    Yes, my general recommendations do take into account the fact that new transmission investment  
20        will be required. I did not perform a detailed cost analysis for WPL on wind alternatives after

---

<sup>4</sup> Direct Testimony of Robert M. Fagan, 4: 2-4.

1        2010 (the last year they include any wind in their portfolio). But the available information  
2        clearly illustrates that the overall costs of new wind including its share of transmission costs still  
3        leads to wind energy that is less expensive than the energy from NED 3.

4        **Q.        WHAT EVIDENCE EXISTS THAT THE TRANSMISSION COSTS ASSOCIATED**  
5        **WITH BRINGING CONSIDERABLE LEVELS OF WIND “TO MARKET” FOR WPL**  
6        **RESULTS IN REASONABLE ECONOMICS FOR WIND ENERGY, AND FOR WPL**  
7        **LIKELY LOWER COSTS THAN THE COSTS OF NED 3?**

8        A.        Mr. Vesperman’s Exhibit RDV-2, the Black and Veatch report, includes a section with supply  
9        curves for wind (including transmission costs) in individual US regions including the Great  
10       Lakes and the Heartland Regions. For the Heartland region, the regional graph shows over  
11       100,000 MW of wind generation available at or below \$80/MWh (levelized costs, 2010),  
12       including transmission needs and not considering the PTC<sup>5</sup>. For the Great Lakes region, the  
13       graph shows over 100,000 MW of potential wind generation at or below approximately  
14       \$95/MWh<sup>6</sup>. Both of these graphs exclude wind integration costs, but as the MN DOC study  
15       (Exhibit RMF-3) has illustrated, these costs are likely less than \$5/MWh<sup>7</sup>. At a high level, this  
16       section of the Black and Veatch report provides further evidence that wind energy is now and  
17       will continue to be a better deal for WPL’s customers than NED 3 energy. It illustrates that even  
18       when the costs of new transmission requirements are considered, there remain plentiful cost-  
19       effective wind resources in the region accessible to WPL.

---

<sup>5</sup> Exhibit KDV-2, page 6-14.

<sup>6</sup> Ibid., page 6-13.

<sup>7</sup> Exhibit RMF-5, at page xxi, point 1, for example.

1     **Q.     MR. FRIEDMAN STATES THAT “THERE IS NO PROOF THAT THE PRICE OF**  
2       **WIND CONSTRUCTION IS DRIVING THIS EXPANSION” IN REGARDS TO THE**  
3       **INCREASE IN INSTALLED WIND CAPACITY IN THE US. IS THERE EVIDENCE**  
4       **THAT DECREASED COSTS OF WIND POWER HAS CONTRIBUTED TO THIS**  
5       **EXPANSION?**

6     A.    Yes. Exhibit \_\_\_(KDV-2) Schedule 4 of Mr. Kevin Vesperman is a report by Black and Veatch  
7       entitled “20 Percent Wind Energy Penetration in the United States”. That report includes the  
8       following statement:

9            “This section discusses the market drivers that have impacted the adoption of wind.  
10          Obviously, the dramatic reduction in the cost of wind generated electricity is the primary  
11          driver for market adoption”. (Page 3-13)

12       I agree with the Black and Veatch report that the decreased cost of wind power is a primary  
13       driver to its market expansion.

14     **Q.     WHAT DOES MR. FRIEDMAN CLAIM IN REGARDS TO WIND COST AND THE**  
15       **POTENTIAL FOR WIND TO PLAY A LARGER ROLE IN WPL’S PORTFOLIO OF**  
16       **SUPPLY RESOURCES THAN IT CURRENTLY ASSUMES?**

17     A.    Mr. Friedman states

18            “I have serious doubts that it could be technically possible to accomplish this [1,700 to 1,800  
19          MW of new wind by 2025] even given favorable economics, due to limitations on equipment  
20          supply and transmission limitations.”<sup>8</sup>

21       Mr. Friedman also states that he expects wind resource cost to increase at least 50% over the  
22       next five years<sup>9</sup>, and thus he disagrees with my conclusion that the effect of anticipated carbon

---

<sup>8</sup> Ibid., 9: 6-8.

<sup>9</sup> Ibid., 8: 17-18.

1 regulation on price differences between wind and coal will be to wind's advantage. I disagree  
2 with Mr. Friedman based on WPL's witnesses own references.

3 **Q. WHAT EVIDENCE EXISTS ON THE TECHNICAL POSSIBILITIES FOR**  
4 **INSTALLING THAT MUCH WIND, AND THE COST ADVANTAGES OF WIND**  
5 **RELATIVE TO COAL, IN THE TIME FRAME OF WPL'S PLANNING FOR THE**  
6 **PROPOSED NED 3 PLANT?**

7 A. The Black and Veatch report (Exhibit KDV-2) presents a clear assessment on the relative cost  
8 advantage to be seen by wind in comparison to coal. It also clearly illustrates that my main  
9 contention in my direct testimony, that WPL can meet 20% to 25% of its energy needs with wind  
10 in 2025, is technically and economically feasible. It includes the following points in regards to  
11 the feasibility of increased wind penetration and the cost of wind:

- 12 1. "Twenty percent penetration of US electricity sector by wind energy appears to be  
13 technically and economically feasible by 2030". (Page 1-1)
- 14 2. "The assumptions identified in this report for the 20 percent scenario are optimistic but  
15 possible. The industry has successfully reduced costs in the past and has made significant  
16 improvements in performance in recent years". (Page 1-2)
- 17 3. "In the 20 percent scenario, forecasted improvement in the cost and performance of wind  
18 technology may effectively cancel out the increased cost of development, resulting in a stable  
19 cost of energy over the analysis period." (Page 1-2)
- 20 4. "The cost of wind energy for both scenarios is competitive with conventional generation  
21 under a plausible carbon regulation scenario". (Page 1-2)

1       5. “Black and Veatch estimates wind capital costs will decline in real terms by 10 percent from  
2                   2010 through 2030, and capacity factors will improve 12-23 percent from 2005 through  
3                   2030.” (Page 1-5)

4                   Thus, the evidence supports my contention that the relative price of wind will decrease in  
5                   part as a result of CO2 regulations and that 1,200 to 1,500 MW of additional wind by 2025 is  
6                   reasonable.

7   **Q. DOES MR. FRIEDMAN LOGICALLY COUPLE THE POTENTIAL EXPIRATION OF  
8                   THE PTC WITH THE RAMP-UP OF CARBON REGULATION?**

9   A.   No. Mr. Friedman indicates that upon expiration of the PTC, wind costs will go up \$20/MWh<sup>10</sup>.  
10                  He does not attempt to explain why, if WPL believes the PTC will end in 2010, carbon  
11                  regulations will not commence until 2015. It is unlikely that there would be such a large gap in  
12                  time that would potentially reduce the wind industry ramp-up just when the US has begun to  
13                  formally address reduction of greenhouse gas emissions.

14   **Q. WHAT DOES MR. FRIEDMAN ASSERT IN REGARDS TO THE SUPPLY AND  
15                  DEMAND OF WIND POWER EQUIPMENT?**

16   A.   Mr. Friedman states that without additional investment in manufacturing facilities for wind  
17                  equipment, he expects expanded lead times and increased costs for wind.

18   **Q. DOES HE SUPPORT THESE STATEMENTS WITH ANY EVIDENCE?**

19   A.   No.

---

<sup>10</sup> Rebuttal Testimony of Mr. Friedman, 5: 3-20.

1     **Q.     WHAT EVIDENCE EXISTS ON THE CURRENT STATE OF THE SUPPLY AND**  
2                 **DEMAND FOR WIND POWER EQUIPMENT, AND FUTURE TRENDS?**

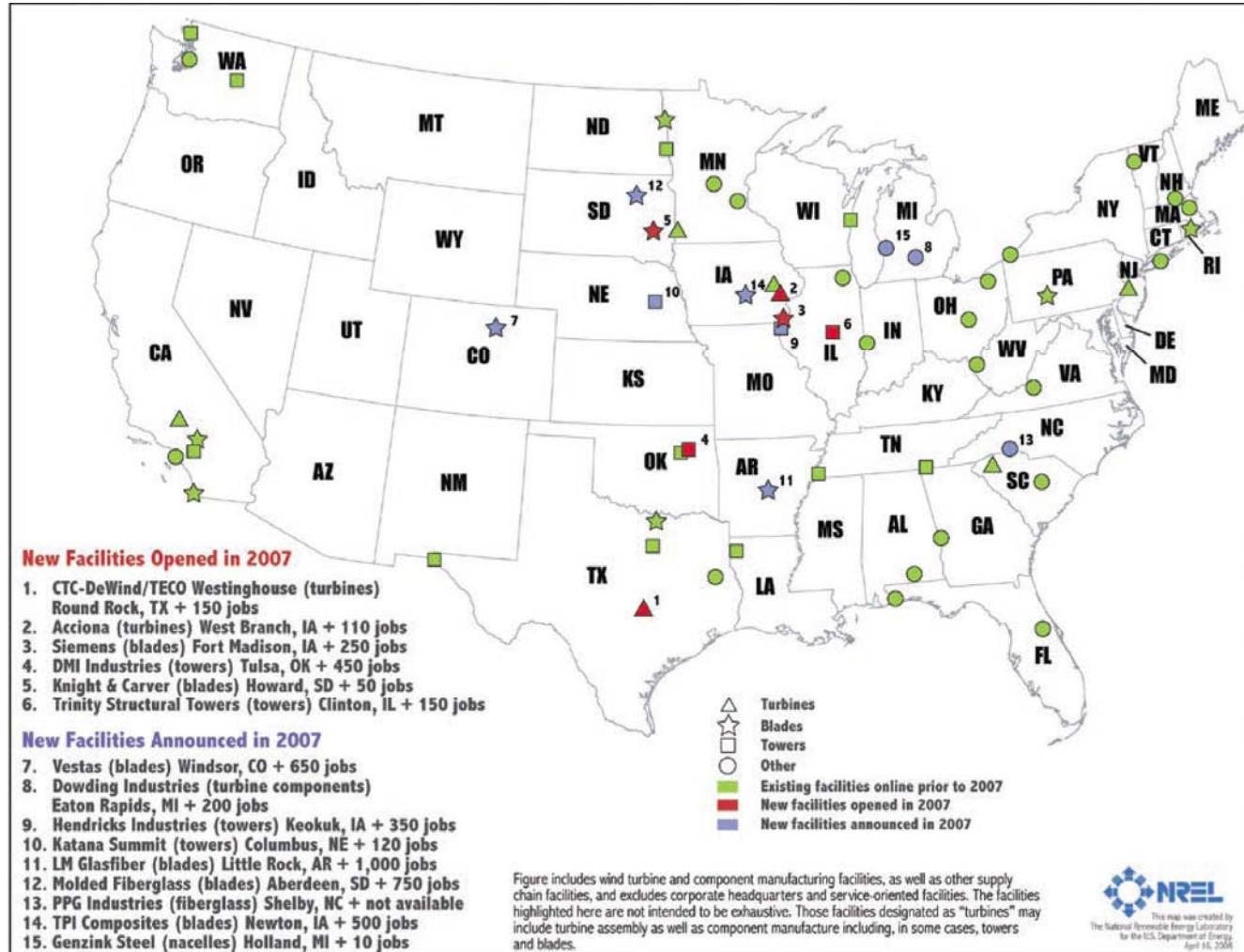
3     A.     Exhibit RMF-3, the second annual report on wind power trends, contains the following  
4                 statement:

5                 “The manufacturing of wind turbines and components in the United States remains somewhat  
6                 limited, in part because of the continued uncertain availability of the federal PTC. As  
7                 domestic demand for wind turbines continues to surge, however, a growing number of  
8                 foreign turbine and component manufacturers have begun to localize operations in the United  
9                 States, and manufacturing by U.S.-based companies is starting to expand.” (page 22)

10                 It also includes this figure, which clearly illustrates that Mr. Friedman is apparently not aware of  
11                 the increasing investment in the US in wind power manufacturing facilities:

12

1    **Figure 1. Figure 8 from Exhibit RMF-3, Location of Existing and New Wind Manufacturing Facilities in the US**



3                 As the supply for wind power equipment continues to grow, the cost will decrease,  
4                 making wind even more economical over the planning period.

5    **Q.    DO YOU AGREE WITH MR. FRIEDMAN'S ASSESSMENT OF THE IMPACT OF  
6          WIND ON OPERATING RESERVES?**

7    A.    No. He states that "MISO will need to increase its regulating margins" and that he expects wind  
8          to result in "over commitment of dispatchable resources", and based on this he concludes that  
9          wind is a "defective power supply resource". His conclusions are not supported by the evidence.

**1 Q. HAVE OPERATING RESERVE AND DISPATCHABILITY ISSUES FOR WIND BEEN  
2 ADDRESSED FORMALLY?**

3 A. Yes. The Minnesota Department of Commerce (MN DOC) wind integration study (included as  
4 Exhibit RMF-5) addressed these aspects of wind integration in extensive detail, and unlike Mr.  
5 Friedman they quantified this impact on the cost of energy from wind. In short:

6 “In all of these cases, the reserve component of the integration costs seems modest. This is  
7 likely a consequence of the very large number and diversity of the controllable resources in  
8 the MN footprint. With more units in operation, an increase in the reserve requirement can be  
9 accommodated without significantly changing the commitment of units to operation.”<sup>11</sup>

10 Thus, the net result of their analysis indicated that the range of impact of wind on increased  
11 operating and unit commitment needs was relatively minimal at penetration levels of up to 25%  
12 of regional energy needs.<sup>12</sup>

13 Q. WHAT DOES MR. VESPERMAN SAY IN REFERENCE TO HIS ORIGINAL  
14 CLAIMED BENEFIT OF \$22 MILLION FOR NED 3 IMPORT INCREASE BENEFIT?

15 A. Mr. Vesperman has revised his claim downward to \$8 million.

16 Q. DID MR. VESPERMAN ADDRESS YOUR DIRECT TESTIMONY CRITICISMS OF  
17 THE CLAIMED IMPORT BENEFIT?

18 A. No, he did not address my criticisms regarding WPL's attribution to NED 3 of 625 MW of  
19 import benefit, nor did he address my conclusions on WPL's use of unsupported LMP  
20 differentials to drive their estimate. He also did not address my conclusions concerning WPL's  
21 lack of consideration of the effect of FTRs.

<sup>11</sup> Exhibit \_\_RMF-5, page 68.

<sup>12</sup> Exhibit RMF-5 at pages xviii through xxii, and at page 76.

**1 Q. PLEASE SUMMARIZE YOUR DIRECT TESTIMONY ON THE CLAIMED IMPORT  
2 BENEFIT ISSUE.**

3 A I reiterate that WPL has overestimated NED 3 import benefits. WPL overestimates the amount  
4 of increased import attributable to the project. WPL also overestimates the economic benefit  
5 from any such increased import, if attributable to NED 3. Neither the initial \$22 million/year  
6 claim by Mr. Vesperman in his direct testimony, nor the revised \$8 million/year estimate in  
7 WPL's rebuttal testimony is supportable.

8                   There is not enough information to conclude that there is any economic benefit. The  
9                   FCITC increase analysis WPL relies upon, in addition to failing to distinguish between benefits  
10                  from NED 3 and from other components, is an improper metric from which to calculate  
11                  economic benefits based on congestion charges. PSC staff witness Mr. Koepke identifies  
12                  possible alternative analyses to better measure benefits from transmission. (Koepke  
13                  Direct/Rebuttal at page 23). Further still, even if a transmission analysis was done to isolate the  
14                  benefits from NED 3 and to measure customer benefits, the LMP values WPL assumes fail to  
15                  account for the fact that such costs change over time and that because of recent transmission  
16                  improvements to Wisconsin, any differential will likely be lower in the future. Lastly, FTRs and  
17                  other hedges can further reduce any costs attributable to LMP differential. Because all of these  
18                  factors would decrease any economic benefit from NED 3 transmission impacts, the actual  
19                  economic benefit from the project would be much lower than WPL's claims. PSC staff witness  
20                  Mr. Neumeyer estimates that \$8 million/year is the upper bound benefit to the State of  
21                  Wisconsin, when the new 161 kV circuit is also added. I understand that to be an estimate for  
22                  illustrative purposes and to run a sensitivity in the EGEAS modeling. I do not understand staff to  
23                  claim that \$8 million (\$ 4 million attributed to WPL's service territory) is a reasonable estimate.  
24                  (Neumeyer Direct/Rebuttal at pages 4-6). I agree with Mr. Koepke that the analysis done in this

Surrebuttal Testimony of Robert M. Fagan

1 case does not support adding any additional value to the NED 3 project because of transmission  
2 improvements. (Koepke Direct/Rebuttal at page 24).

3 Q. **DOES THIS CONCLUDE YOUR TESTIMONY?**

4 A. Yes, it does.



---

**Final Report -  
2006 Minnesota Wind Integration Study  
Volume I**

Prepared for:

The Minnesota Public Utilities Commission

c/o Mr. Ken Wolf  
Reliability Administrator  
121 7<sup>th</sup> Place E.  
Suite 350  
Saint Paul, MN 55101-2147

Prepared by:

EnerNex Corporation  
170C Market Place Boulevard  
Knoxville, Tennessee 37922  
Tel: (865) 691-5540  
FAX: (865) 691-5046  
[www.enernex.com](http://www.enernex.com)

*In Collaboration with:*

The Midwest Independent System Operator

*November 30, 2006*

## **PROJECT TEAM**

---

### **EnerNex Corporation**

Robert Zavadil – Project Manager

Jack King

Nader Samaan

Jeff Lamoree

### **WindLogics**

Mark Ahlstrom

Dr. Bruce Lee

Dr. Dennis Moon

Dr. Cathy Finley

Dave Savage

Ryan Koehnen

Patrick Heinis

### **Midwest Independent System Operator**

Dale Osborn

Chuck Tyson

Zheng Zhou

### **Minnesota Public Utilities Commission**

Ken Wolf – Reliability Administrator

Matt Schuerger – Technical Advisor

## **Technical Review Committee**

Steve Beuning, Xcel Energy

Ed DeMeo, Utility Wind Integration Group

John Dunlop, American Wind Energy Association

Dave Geschwind, Southern Minnesota Municipal Power Agency

Brian Glover, Mid-Continent Area Power Pool/ Midwest Reliability Organization

Jeff Haase, MN Department of Commerce

Daryl Hanson, Otter Tail Power

Mike Jacobs, American Wind Energy Association

Paul Johnson, Minnesota Power

Brendan Kirby, Oak Ridge National Laboratory

Andrew Lucero, Minnesota Power

David Lemmons, Xcel Energy

Michael McMullen, Xcel Energy

Mike Michaud, Community-Based Energy Development

Michael Milligan, National Renewable Energy Laboratory

Dale Osborn, Midwest Independent System Operator

Brian Parsons, National Renewable Energy Laboratory

Rick Peterson, Xcel Energy

Dean Schiro, Xcel Energy

Matt Schuerger (TRC Chair), Technical Advisor to the MN PUC

John Seidel, Mid-Continent Area Power Pool / Midwest Reliability Organization

Stan Selander, Great River Energy

Charlie Smith, Utility Wind Integration Group

JoAnn Thompson, Otter Tail Power

Jerry Tielke, Missouri River Energy Services

Lise Trudeau, Minnesota Department of Commerce

Chuck Tyson, Midwest Independent System Operator

Ray Wahle, Missouri River Energy Services

Ken Wolf, Minnesota Public Utilities Commission

Zheng Zhou, Midwest Independent System Operator

# Contents – Volume I

---

<b>Project Team</b>	<b>i</b>
<b>Preface</b>	<b>x</b>
<b>Executive Summary</b>	<b>xiii</b>
Approach	xiv
Models and Assumptions	xvi
Reliability Impacts	xvii
Operating Impacts	xviii
Study Conclusions	xxi
Project and Report Overview	xxii
<b>Section 1 Introduction</b>	<b>1</b>
Characteristics of Wind Generation	1
Overview of Utility System Operations	2
Short-Term Planning and Real-Time Operation	2
Wind Generation and Long-Term Power System Reliability	4
Influence of the MISO Market on Minnesota Utility Company Operations	5
Project Organization	5
Report Overview	6
<b>Section 2 Characterizing the Minnesota Wind Resource</b>	<b>7</b>
Synthesis of Wind Speed Data for the MN Wind Generation Scenarios	7
Wind Generation Forecasts	13
Spatial and Geographic Diversity	13
<b>Section 3 Models and Assumptions</b>	<b>16</b>
MISO Market Structure	16
Analytical Approach	18
Reliability Analysis	18
Operating Impacts	21
Study Data and Assumptions	23
Modeling Minnesota Electric Load in 2020	25
Developing Wind Generation Data	27
Estimating Reserve and Other Operational Requirements	32
Regulating Reserves	33
Contingency Reserves	35
Load Following	36
Operating Reserve "Margin"	38

Discussion	40
Modeling Time-Varying Reserve Requirements in PROMOD	41
<b>Section 4 Reliability Impacts</b>	<b>46</b>
GE-MARS Analysis	48
Results	48
Discussion	51
Results from Marelli	53
Discussion	57
Summary	60
<b>Section 5 Operating Impacts</b>	<b>61</b>
Overview	61
"Base" Cases	61
Reserve Costs	66
Market Impacts	68
The Cost of Integrating Wind Generation	71
Background	71
Results of PROMOD Cases	72
Impacts of Wind Generation on Unit Utilization and Transactions	72
Effect of Wind Generation Forecasting	73
<b>Section 6 Conclusions</b>	<b>76</b>
<b>Section 7 References</b>	<b>78</b>
<b>Appendix A – West RSG Study Assumptions</b>	<b>80</b>
Introduction	80
Fuel Forecast	80
Load Forecast	81
Generating Units and parameters	81
Existing Units	81
New units for West RSG study	81
Transmission Upgrades	82
<b>Appendix B - West RSG Study New Generating Units</b>	<b>84</b>
<b>Appendix C – Method for Converting Wind Speed Data to Wind Generation</b>	<b>86</b>

# Figures

---

Figure 1:	Location of "proxy towers" (model data extraction points) on inner grid.	xv
Figure 2:	Unit commitment costs for three penetration levels and pattern years. Cost of incremental operating reserves is embedded.	xx
Figure 3:	Inner and outer nested grids used in MM5 meteorological simulation model.	9
Figure 4:	Location of "proxy towers" (model data extraction points) on inner grid (yellow are existing / contracted).	10
Figure 5:	Location of "proxy towers" in MM5 nested grid model. Legend: - Red: Existing wind generation; Green: Additional sites for 15% scenario; Yellow: Additional sites for 20% scenario; Blue: Additional sites for 25% scenario	11
Figure 6:	Mean annual wind speed at 80 m AGL (r) and net annual capacity factor (l).	12
Figure 7:	Mean annual wind speed at 80 m AGL (r) and net annual capacity factor assuming 14% losses from gross and Vestas V82 1.65 MW MkII power curve, (left) by county.	12
Figure 8:	Correlation of wind generation power changes to distance between plants/turbines. From NREL/CP-500-26722, July, 1999	14
Figure 9:	Reduction in hourly variability (change) of wind generation as wind generation over the region is aggregated.	14
Figure 10:	Annual histogram of occurrence percentage of hourly capacity factor for four levels of geographic dispersion. Data is based on hourly performance for the Vestas V82 1.65 MW turbine and reflects gross capacity factors. See legend for specific geographic dispersion scenario. Note: MN_SW = Minnesota Southwest, MN_SE = Minnesota Southeast, MN_NE = Minnesota Northeast, and ND_C = North Dakota Central.	15
Figure 11:	Structure of MISO market and reliability footprints. (from MISO Business Practices Manual) Note: Southern Minnesota Municipal Power Agency is now a MISO market participant; LGE is leaving MISO.	18
Figure 12:	MISO structure for generation dispatch and control.	19
Figure 13:	Determining wind generation capacity value by LOLP analysis.	21
Figure 14:	Flowchart for Technical Analysis	23
Figure 15:	Overview of West RSG study PROMOD model, used as the basis for this study. Companies shown in red are represented in detail.	24
Figure 16:	Single turbine versus "plant" power curves, from empirical data for 30 MW plant	28
Figure 17:	Wind generation regions and network injection buses	29
Figure 18:	Installed wind generation capacity by region and scenario	31
Figure 19:	Wind energy production by region and scenario.	31

Figure 20: Approximate regulating requirements for a Balancing Authority as a function of peak demand.	33
Figure 21: Variation of the standard deviation of the regulation characteristic for each of nine sample days by number of turbines comprising measurement group.	34
Figure 22: Five-minute variability – 15% wind generation	37
Figure 23: Five-minute variability – 20% wind generation	37
Figure 24: Five-minute variability – 25% wind generation	38
Figure 25: Next-hour deviation from persistence forecast – 15% wind generation	39
Figure 26: Next-hour deviation from persistence forecast – 20% wind generation	39
Figure 27: Next-hour deviation from persistence forecast – 25% wind generation	40
Figure 28: Hourly wind generation changes as functions of production level. 15% (left); 20% (middle); 25% (right)	42
Figure 29: Empirical next-hour wind variability curves (top) and quadratic approximation (middle) and equations (bottom). Vertical axis quantity on charts is standard deviation.	43
Figure 30: Illustration of time varying “operating reserve margin” developed from statistical analysis of hourly wind generation variations.	44
Figure 31: New conventional generation in West RSG expansion plan	47
Figure 32: Wind generation capacity factor for varying number of highest load hours. (2003, 2004, and 2005 wind and load patterns)	49
Figure 33: LOLE for Minnesota Area based on 2003 load and wind patterns	50
Figure 34: LOLE for Minnesota Area based on 2004 load and wind patterns	50
Figure 35: LOLE for Minnesota Area based on 2005 load and wind patterns	50
Figure 36: Hourly wind production for highest 100 load hours of year (20% scenario)	52
Figure 37: LOLH (Loss of Load Hours) from Marelli analysis for 2003 wind and load patterns	53
Figure 38: LOLH (Loss of Load Hours) from Marelli analysis for 2004 wind and load patterns	54
Figure 39: LOLH (Loss of Load Hours) from Marelli analysis for 2005 wind and load patterns	54
Figure 40: GE-MARS results for isolated MN system; 2003 wind and load patterns	55
Figure 41 GE-MARS results for isolated MN system; 2004 wind and load patterns	55
Figure 42: GE-MARS results for isolated MN system; 2005 wind and load patterns	55
Figure 43: Weekly LOLP results for 2003 for GE-MARS and Marelli	57
Figure 44: Weekly LOLP results for 2004 for GE-MARS and Marelli	58
Figure 45: Weekly LOLP results for 2005 for GE-MARS and Marelli	59
Figure 46: Production cost for Minnesota companies as a function of wind penetration and operating reserve level.	63
Figure 47: Load payments for Minnesota companies as a function of wind penetration and operating reserve level.	64
Figure 48: Gas unit capacity factor as functions of wind generation and operating reserve level	65

Figure 49: Coal unit capacity factor as functions of wind generation and operating reserve level	66
Figure 50: Production cost as a function of wind penetration and operating reserve level.	67
Figure 51: Wind generation impact on relative locational marginal price – Great River Energy and Minnkota hubs	69
Figure 52: Wind generation impact on relative locational marginal price – Minnesota Power and Xcel Energy hubs	70
Figure 53: Wind generation impact on relative locational marginal price – Ottertail Power and Southern Minnesota Municipal Power Agency hubs	70
Figure 54: Unit commitment costs for three penetration levels and pattern years. Cost of incremental operating reserves is embedded.	72
Figure 55: Effect of wind generation forecast on Minnesota company production and load costs	74
Figure 56: Turbine power curve used for calculating generation data from wind speed measurements.	86
Figure 57: Empirical “Power Curve” for wind plant from measured values.	87
Figure 58: Wind plant “power curve” calculated from 10-minute wind speed values.	87
Figure 59: Calculated vs. Measured wind generation.	88
Figure 60: Measured and calculated plant power curves.	89
Figure 61: Exponential modification of measured wind speed.	89
Figure 62: Measured and modified calculated plant power curves.	90
Figure 63: Comparison of measured wind generation to that calculated with wind speed modification.	91

## Tables

---

Table 1: Estimated Operating Reserve Requirement for MN Balancing Authority – 2020 Load	xvii
Table 2: Capacity Value of Wind Generation for 2003 Load and Wind Patterns	xviii
Table 3: Capacity Value of Wind Generation for 2004 Load and Wind Patterns	xviii
Table 4: Capacity Value of Wind Generation for 2005 Load and Wind Patterns	xviii
Table 5: Incremental Reserve Cost for 20% Wind Case, 2004 Patterns	xx
Table 6: 2020 Projections of Minnesota electric retail sales and wind generation at assumed annual capacity factors.	8
Table 7: Control Areas within MISO's Reliability Authority Footprint	20
Table 8: Minnesota retail sales by company for CY2004 and Total Retail Sales assumptions for study	25
Table 9: Loads by Company from PROMOD West RSG case for 2020.	26
Table 10: Meteorological Tower Assignments by Region and Scenario	30
Table 11: Installed Capacity by Region and Penetration Scenario	31
Table 12: Adjustment of Wind Generation Model to Achieve Study Target Penetrations	32
Table 13: Characteristics of Wind Generation Model – Capacity Factor by Season & Region	32
Table 14: Estimated Regulating Requirements for Individual MN Balancing Authorities and Aggregate	34
Table 15: Estimated Regulation Requirement for MN Balancing Authority in 2020	35
Table 16: Summary of Five-minute Variability	36
Table 17: Next-hour Deviation from Persistence Forecast by Wind Generation Scenario	38
Table 18: Estimated Operating Reserve Requirement for MN Balancing Authority – 2020 Load	41
Table 19: Standard Deviation of One-Hour Production Changes by Generation Level	42
Table 20: Characteristics of Additional Variable Reserve	45
Table 21: ELCC Results for 2003 Wind and Load Patterns	51
Table 22: ELCC Results for 2004 Wind and Load Patterns	51
Table 23: ELCC Results for 2005 Wind and Load Patterns	51
Table 24: Comparison of ELCC Results from GE-MARS and Marelli LOLP Analysis	56
Table 25: Capacity Accreditation of Wind Generation for Study per MAPP RSG Methodology	60
Table 26: Incremental Reserve Cost for 20% Wind Case, 2004 Patterns	68
Table 27: Wind Generation Impacts on Energy Market Metrics – 2004 Wind and Load Patterns	69

Table 28: MN Company Emissions for "No Wind" case and offsets for wind generation levels	70
Table 29: Load and Production for 20% Case, 2004 Patterns	73
Table 30: Summary of Case Results for various treatment of wind in unit commitment (2004 wind and load patterns)	74
Table 31: Summary of Unit Commitment Cases: Variable Reserve, Load and Wind Forecast Error in Unit Commitment	75
Table 32	81
Table 33: New Transmission Lines in West RSG Study	83

## PREFACE

---

In May of 2005 the Minnesota Legislature adopted a requirement for a Wind Integration Study of the impacts on reliability and costs associated with increasing wind capacity to 20% of Minnesota retail electric energy sales by the year 2020, and to identify and develop options for utilities to use to manage the intermittent nature of wind resources<sup>1</sup>. The law authorizes and directs the Reliability Administrator to manage the study. In July of 2005 the Minnesota Public Utilities Commission ordered<sup>2</sup>: 1) All Minnesota electric utilities to participate in the study; 2) The Minnesota electric utilities to contract jointly with an independent firm to conduct the study and to cooperate with completion of the study; and 3) The Minnesota electric utilities to use the study results to estimate impacts on their electric rates of increasing wind capacity to 20 percent and incorporate the study's findings in resource plans and renewable energy objectives reports.

In the summer of 2005, a thorough and complete review of the current status and understanding of integrating wind power into electric power systems was completed. In September 2005, a broad stakeholder group was convened to develop the detailed study scope. This group included representatives of the Minnesota electric utilities, renewable energy advocates, community-based energy development, the Minnesota legislature, the Minnesota Department of Commerce, MISO, MAPP, and national technical experts. The resulting study scope focused on characterization of the Minnesota wind resource and quantifying reliability and operating impacts resulting from significant increases in wind generation.

The objectives of the study are to:

1. Evaluate the impacts on reliability and costs associated with increasing wind capacity to 15%, 20%, and 25% of Minnesota retail electric energy sales by 2020;
2. Identify and develop options to manage the impacts of the wind resources;
3. Build upon prior wind integration studies and related technical work;
4. Coordinate with recent and current regional power system study work;
5. Produce meaningful, broadly supported results through a technically rigorous, inclusive study process.

The study was competitively bid. The Reliability Administrator selected a study team led by EnerNex Corporation, an electric power engineering and consulting firm.

WindLogics was responsible for characterization of the wind resource and the detailed wind plant output modeling. The Midwest Independent System Operator (MISO) has been a key study participant supplying power system data and models, contributing technical expertise, and, in collaboration with the study contractor, has run much of the power system modeling.

---

<sup>1</sup> Minnesota Laws 2005, Chapter 97, Article 2, Section 6.

<sup>2</sup> Order Directing Participation in and Implementation of a Wind Integration Study, July 22, 2005, Docket No. E-999/CI-05-973

The study began in December 2005 and was completed in November 2006. Both the challenging study scope and the aggressive schedule have been very significant challenges.

The study has benefited from extensive expert guidance and review by a Technical Review Committee (TRC). Four TRC meetings, each a full day, and numerous conference calls were held throughout the course of the study to review and discuss the study methods and assumptions, wind scenarios, model development, results, and conclusions. With excellent input from the utilities, MISO, wind interests, and national experts, we have reached consensus on overall study methods and assumptions, on the wind scenarios to be studied, on the modeling approach, and on the key results and conclusions. Participants in the TRC included:

Steve Beuning, Xcel Energy

Ed DeMeo, Utility Wind Integration Group

John Dunlop, American Wind Energy Association

Dave Geschwind, Southern Minnesota Municipal Power Agency

Brian Glover, Mid-Continent Area Power Pool / Midwest Reliability Organization

Jeff Haase, MN Department of Commerce

Daryl Hanson, Otter Tail Power

Mike Jacobs, American Wind Energy Association

Paul Johnson, Minnesota Power

Brendan Kirby, Oak Ridge National Laboratory

Andrew Lucero, Minnesota Power

David Lemmons, Xcel Energy

Michael McMullen, Xcel Energy

Mike Michaud, Community-Based Energy Development

Michael Milligan, National Renewable Energy Laboratory

Dale Osborn, Midwest Independent System Operator

Brian Parsons, National Renewable Energy Laboratory

Rick Peterson, Xcel Energy

Dean Schiro, Xcel Energy

Matt Schuerger (TRC Chair), Technical Advisor to the MN PUC

John Seidel, Mid-Continent Area Power Pool / Midwest Reliability Organization

Stan Selander, Great River Energy

Charlie Smith, Utility Wind Integration Group

JoAnn Thompson, Otter Tail Power

Jerry Tielke, Missouri River Energy Services

Lise Trudeau, Minnesota Department of Commerce

Chuck Tyson, Midwest Independent System Operator

Ray Wahle, Missouri River Energy Services  
Ken Wolf, Minnesota Public Utilities Commission  
Zheng Zhou, Midwest Independent System Operator

Thank you to all of the study participants for an extraordinary effort and a ground breaking study.

Ken Wolf

Reliability Administrator  
Minnesota Public Utilities Commission

## EXECUTIVE SUMMARY

---

Wind generation cannot be controlled or precisely predicted. While these attributes are not unique to wind generation, variability of the fuel supply and its associated uncertainty over short time frames are more pronounced than with conventional generation technologies. Energy from wind generating facilities must be taken "as delivered", which necessitates the use of other controllable resources to keep the demand and supply of electric energy in balance.

Integrating wind energy involves the use of supply side resources to serve load not served by wind generation and to maintain the security of the bulk power supply system. Conventional resources must then be used to follow the net of wind energy delivery and electric demand and to provide essential services such as regulation and contingency reserves that ensure power system reliability. To the extent that wind generation increases the required quantity of these generating services, additional costs are incurred.

The high reliability of the electric power system is premised on having adequate supply resources to meet demand at any moment. In longer term planning, system reliability is often gauged in terms of the probability that the planned generation capacity will be sufficient to meet the projected system demand. It is recognized that conventional electric generating plants and units are not completely reliable – there is some probability that in a given future hour capacity from the unit would be unavailable or limited in capability due to a forced outage – i.e. mechanical failure. Even if the installed capacity in the control area exceeds the peak projected load, there is some non-zero probability that the available capacity might be insufficient to meet load in a given hour.

The capacity value of wind plants for long term planning analyses is currently a topic of significant discussion in the wind and electric power industries. Characterizing the wind generation to appropriately reflect the historical statistical nature of the plant output on hourly, daily, and seasonal bases is one of the major challenges. Several techniques that capture this variability in a format appropriate for formal reliability modeling have been proposed and tested. The lack of adequate historical data for the wind plants under consideration is an obstacle for these methods.

By any of these methods, it can be shown that wind generation does make a calculable contribution to system reliability in spite of the fact that it cannot be directly dispatched like most conventional generating resources. The magnitude of that contribution and the appropriate method for its determination are the important questions.

The work reported here addresses two major questions:

1. To what extent would wind generation contribute to the electric supply capacity needs for Minnesota electric utility companies?
2. What are the costs associated with scheduling and operating conventional generating resources to accommodate the variability and uncertainty of wind generation?

## APPROACH

The critical first step in answering either of these overarching questions is to determine what the wind generation would “look like” to the operators of the power system. This step is surprisingly difficult. The aggregate production from individual wind turbines spread out over thousands of square miles depends on the meteorology over the entire region as well as the influences of terrain and ground cover in the vicinity of a single turbine.

In addition, the meteorological patterns that dictate wind energy production also have an influence on electric demand. Periods of extended heat or cold significantly influence electric demand, and the meteorological patterns responsible for these conditions also effect the energy production from wind generation facilities.

The correlation between electric demand and wind generation has a significant effect on the costs associated with integrating wind energy. If the daily pattern of wind generation matched the daily load cycles, wind generation would likely have no integration cost. As previous studies and assessments have shown, however, this is not the case in most parts of the United States.

Consequently, the wind generation model used for this study is critically important. Because of this sensitivity, and the large geographic expanse in the 20% wind scenario, the latest technology for characterizing wind generation was employed in this study.

The technique used in this study to create the wind generation characteristics and profiles for analysis is based on re-simulating the weather over the Upper Great Plains for historical years. The simulation model is adapted from the atmospheric models used by the National Weather Service and other agencies for generating short-term forecasts. The advantage of considering historical years for this study lies in the fact that observations of actual conditions both inside and outside the area of interest were made and archived. In addition, we also know the patterns of electric demand.

The initial portions of this project were focused on characterizing the wind resource in Minnesota and developing chronological wind speed and wind generation forecast data for use in later analytical tasks.

Minnesota wind development scenarios were constructed to support the development of the wind generation model for the analytical tasks. The target wind penetration level is based on 15%, 20%, and 25% of projected retail electricity sales in the study year 2020.

Data at 152 grid points (proxy towers or wind plants, nominally 40 MW each) were calculated every 5 min as the simulation progressed through historical years 2003, 2004, and 2005. This process ensured that the character and variability of the wind resource over several time scales across geographically dispersed locations is captured.

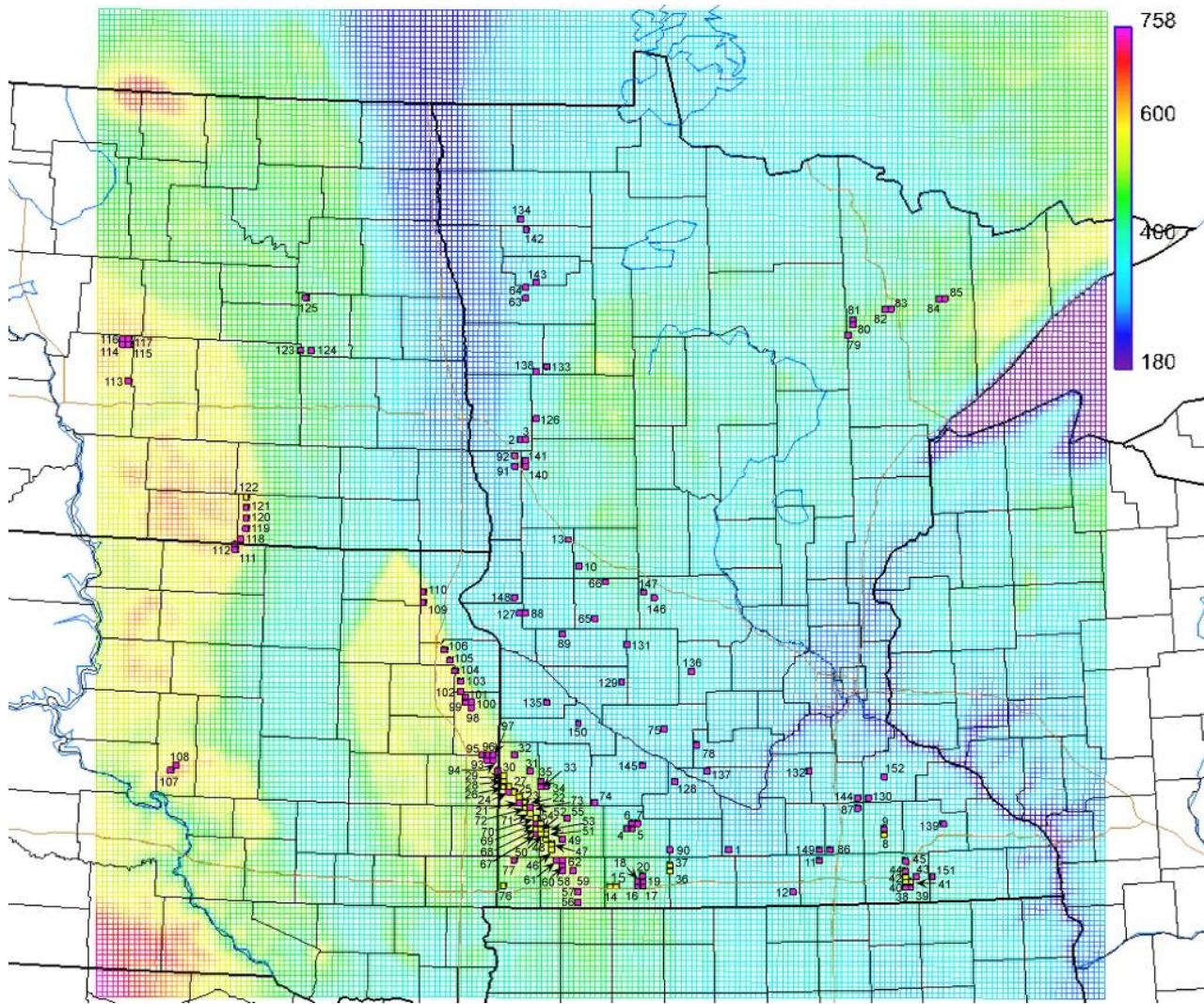


Figure 1: Location of "proxy towers" (model data extraction points) on inner grid.

Data from the meteorological simulations was used to construct a detailed picture of the wind resource in the region. Findings from this analysis are documented in a companion report: "*Volume II – Characterization of the Minnesota Wind Resource*". Key findings and outcomes from this report are summarized below:

- A county by county assessment map of the wind generation resource was created for the state of Minnesota through the application of GIS techniques to the high-resolution state wind mapping data from the Minnesota Department of Commerce. This process represented a critical component step in formulating the distribution of wind energy production for meeting the year 2020 target of 6000 MW.
- Through the use of extensive numerical modeling for Minnesota and the eastern Dakotas over the years 2003, 2004, and 2005, the wind resource of the region was characterized in terms of normalized hub-height wind speed, power density, capacity factor, and energy production.

- Meteorological time series were generated at 152 locations within the modeling domain for the three years. The time series data were extracted at 5-min intervals while the numerical simulations were proceeding. Each model extraction location represents a 4-km x 4-km region where wind energy generation already exists, is proposed for development, or has development or strategic potential.
- The spatial and temporal variability of the wind resource for Minnesota and the eastern Dakotas was presented along with a description of the meteorology of the Upper Midwest that controls this variability.
- Idealized wind energy geographic dispersion analysis revealed that a progressive increase in the distribution of wind production, utilizing four widely spaced generation areas, substantially reduces the hourly frequency when little or no power was being produced, and increases the hourly frequency of production in the general capacity factor range of 20 to 80% for the ensemble of wind plants. Further, a progressive increase in the distribution of wind production had a dramatic effect on reducing the frequency of very large hourly ramp rates for the ensemble production to values near zero for greatest degrees of geographic dispersion.
- Wind energy forecasting experiments that utilized a computational learning system (CLS) with two forecast models from the National Centers for Environmental Prediction showed considerable skill in both short-term (several hours ahead) and day-ahead (up to 48 hours ahead) time frames. In general, the CLS starts outperforming persistence by one hour into the forecast and shows considerable benefit over persistence by the 3-hour point. In the day-ahead time frame, the CLS forecast yields energy production errors (as a percent of actual energy produced) in the low to mid 20% range.
- An investigation of geographically dispersed wind production forecasts revealed that forecasts for the ensemble of sites were substantially more accurate than for a single site. Forecast errors for power and energy production were reduced by 43% and 30%, respectively, when comparing forecasts from a single site to a forecast for four sites. Similarly large short-term forecast error improvements were also realized as the forecast geographic dispersion increased.

## MODELS AND ASSUMPTIONS

The analytical methodology used for this study is based on chronological simulations of generation unit commitment and dispatch over an extended data record. The “rules” for conducting these simulations must reflect the business rules and operating realities of the system or systems being modeled. Defining these rules and other assumptions so that they can be modeled and appropriately factored into the analytical methodology is a critical part of the study process. Scenarios that are substantially out into the future can be especially challenging.

A significant amount of effort was placed into defining the assumptions for the 2020 study scenario through a collaborative process involving the study sponsors and Technical Review Committee (TRC).

The Midwest Independent System Operator (MISO) market and reliability footprints are comprised of thousands of individual generating units, many tens of thousands of megawatts of load, and many thousands of miles of transmission lines. Given the influence of the MISO energy market on the daily operations of the Minnesota companies, along with the geographical expanse of the wind generation to be

considered, computer models to simulate generation scheduling and operations across the state of Minnesota must also be large.

Transmission issues for wind generation are not the focus of this study. However, transmission capacity has a direct influence on the function of the wholesale energy market, as transmission losses and congestion are responsible for the differences in prices across the market footprint. These influences are accounted for by using an existing MISO planning model which was selected as the starting point for this study.

The size and makeup of a utility company's "footprint" – the amount of load served, and the type, number, and capability of its generating resources – have important influences on the ability to manage wind generation. MISO is currently well underway with the development of an Ancillary Services Market which will result in consolidation of certain utility control area (or BA, for Balancing Authority) functions. A decision was made by the Technical Review Committee to consider all of the Minnesota companies as a single functional BA for purposes of this study.

The operating characteristics of wind generation increase the need for flexible generation to compensate for changes in the net of load and wind generation. These changes occur across all time scales, from seconds to minutes to hours. Chronological wind generation data from the model and load data from MISO archives were analyzed to estimate the incremental requirements in the various categories of operating reserve. Results of this analysis are shown in Table 1. Reserve requirements for each of the wind generation scenarios are used as inputs to the annual simulations of power system operations from which the operating impacts are quantified.

Table 1: Estimated Operating Reserve Requirement for MN Balancing Authority – 2020 Load

Reserve Category	Base		15% Wind		20% Wind		25% Wind	
	MW	%	MW	%	MW	%	MW	%
Regulating	137	0.65%	149	0.71%	153	0.73%	157	0.75%
Spinning	330	1.57%	330	1.57%	330	1.57%	330	1.57%
Non-Spin	330	1.57%	330	1.57%	330	1.57%	330	1.57%
Load Following	100	0.48%	110	0.52%	114	0.54%	124	0.59%
Operating Reserve Margin	152	0.73%	310	1.48%	408	1.94%	538	2.56%
<b>Total Operating Reserves</b>	<b>1049</b>	<b>5.00%</b>	<b>1229</b>	<b>5.86%</b>	<b>1335</b>	<b>6.36%</b>	<b>1479</b>	<b>7.05%</b>

## RELIABILITY IMPACTS

Several methods were employed to assess the contribution of the wind generation modeled for this study to the reliability of the Minnesota power system. The results were consistent across all of the methods, and show that the effective capacity of wind generation can vary significantly year-to-year. The Effective Load Carrying Capability (ELCC) of the wind generation corresponding to 15% to 25% of Minnesota retail electric sales ranges from around 5% to just over 20% of nameplate capacity (Table 2 through Table 4). The capacity value computation is based upon a rigorous Loss of Load Probability (LOLP) analysis.

Meteorological conditions are the most likely explanation for this variation, as it can affect both electric demand and wind generation. The historical years used as the basis for this study did exhibit some marked differences attributable to weather. The analysis

can be expected to improve and converge as more years of data are added to the sample.

Table 2: Capacity Value of Wind Generation for 2003 Load and Wind Patterns

Wind Penetration	Installed Capacity	Effective Load-Carrying Capability (ELCC)	ELCC (relative to installed capacity)
15%	3441 MW	719 MW	20.9%
20%	4582 MW	922 MW	20.1%
25%	5688 MW	969 MW	17.0%

Table 3: Capacity Value of Wind Generation for 2004 Load and Wind Patterns

Wind Penetration	Installed Capacity	Effective Load-Carrying Capability (ELCC)	ELCC (relative to installed capacity)
15%	3441 MW	406 MW	11.8%
20%	4582 MW	547 MW	11.9%
25%	5688 MW	641 MW	11.3%

Table 4: Capacity Value of Wind Generation for 2005 Load and Wind Patterns

Wind Penetration	Installed Capacity	Effective Load-Carrying Capability (ELCC)	ELCC (relative to installed capacity)
15%	3441 MW	156 MW	4.5%
20%	4582 MW	234 MW	5.1%
25%	5688 MW	234 MW	4.1%

## OPERATING IMPACTS

In the operating time frame – hours to days – wind generation and load follow different cycles. Load exhibits a distinct diurnal pattern through all seasons. Wind generation in the Great Plains exhibits some diurnal characteristics, but is mainly driven by the passage of large scale weather systems that have cycles of several days to a week. It is nearly impossible, therefore, to select a small number of “typical” wind and load days for analysis.

MISO utilizes a computer tool called PROMOD for hour-by-hour analysis of energy market operations and transmission facility utilization. In this program, generating units are committed based on costs, operating characteristics, and transmission constraints, then dispatched to meet the specified load on an hourly basis. It can be used as a “proxy” for the short-term operation of power systems.

Commitment of generating resources when the load is known perfectly results in an optimized solution. These optimized hourly cases show the following impacts of wind generation:

- As more wind energy is added, the production cost and load payments decline. This is due to the displacement of conventional generation and the resulting reduction in variable (fuel) costs.
- Generation from both coal and gas units is displaced.
- Production costs rise with the level of required operating reserves. This is intuitive, since more generation must be available or online.
- Production costs rise slowly from the baseline assumption of 5% total operating reserves to about 7%.
- As the operating reserve requirement is increased, coal units are further displaced in favor of more flexible gas units.

Production costs rise as total operating reserves are increased, which is the expected result. It is recognized, however, that a higher reserve requirement for all hours of the annual simulation is overly conservative, since there are many hours where wind generation is very low, and changes up or down would be of little note to operators. Further, an incremental operating reserve pegged to hourly changes in wind generation would not need to be comprised of spinning generation only – changes in the later part of the hour could be covered by quick-start units, if available. The significance here is that no costs accrue with this type of reserve unless it is used.

A case was run for the 2004 load patterns at 20% wind generation with operating reserves for wind generation modeled less conservatively:

- The additional operating reserve for wind generation is a variable hourly profile based on the previous hourly average value.
- The incremental reserves for wind generation were further required only to be non-spinning.

As expected, these assumptions resulted in a decreased production costs over the fixed additional reserves case.

The cost of the additional reserves required to manage the system with wind generation can be estimated from cases where only the operating reserve requirement is varied. Table 5 documents the production cost results from four cases with differing operating reserve assumptions. It shows that for the treatment of reserves deemed to be the most appropriate, the addition cost is \$0.11 per MWH of wind generation delivered to the system.

Table 5: Incremental Reserve Cost for 20% Wind Case, 2004 Patterns

Case	Production Cost
Full Reserves Case	\$1,928 M
20% Variable Reserve Margin Case	\$1,923 M
Operating Reserve Margin as non-spin	\$1,921 M
Base Case - 5% Operating Reserve Assumption	\$1,919 M
<i>Wind Production - 20%/2004 Cases</i>	<i>16,895,658 MWH</i>
Incremental Cost - "Full" Reserves Cost per MWH Wind	\$9,368,744 <b>\$0.55</b>
Incremental Cost - "Variable" Reserves Cost per MWH Wind	\$3,955,303 <b>\$0.23</b>
Incremental Cost - Variable Reserves, non-spin Cost per MWH Wind	\$1,898,352 <b>\$0.11</b>

The operating cost results show that, relative to the same amount of energy stripped of variability and uncertainty of the wind generation, there is a cost paid by the load that ranges from a low \$2.11 (for 15% wind generation, based on year 2003) to a high of \$4.41 (for 25% wind generation, based on year 2005) per MWH of wind energy delivered to the Minnesota companies. This is a total cost and includes the cost of the additional reserves (per the assumptions) These results are shown graphically in Figure 2.

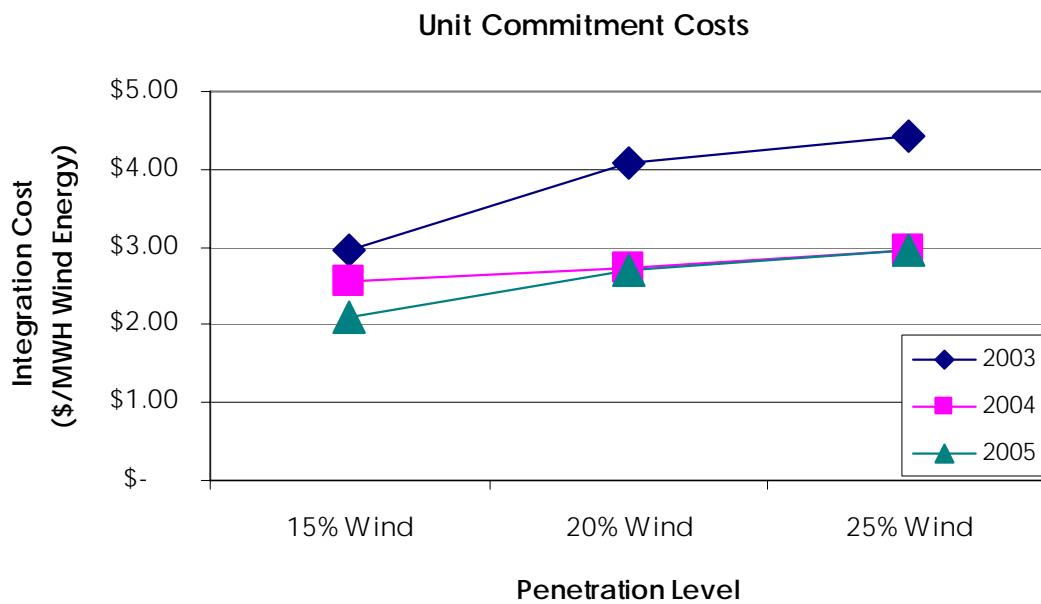


Figure 2: Unit commitment costs for three penetration levels and pattern years. Cost of incremental operating reserves is embedded.

## STUDY CONCLUSIONS

The analytical results from this study show that the addition of wind generation to supply 20% of Minnesota retail electric energy sales can be reliably accommodated by the electric power system if sufficient transmission investments are made to support it.

The degree of the operational impacts was somewhat less than expected by those who have participated in integration studies over the past several years for utilities around the country. The technical and economic impacts calculated are in the range of those derived from other analyses for smaller penetrations of wind generation.

Discussion of the analytical results with the Technical Review Committee and the Minnesota utility company representatives has established the following as the key findings and the principal reasons that wind generation impacts were not larger:

1. These results show that, relative to the same amount of energy stripped of variability and uncertainty of the wind generation, there is a cost paid by the load that ranges from a low of \$2.11 (for 15% wind generation, based on year 2003) to a high of \$4.41 (for 25% wind generation, based on year 2005) per MWH of wind energy delivered to the Minnesota companies. This is a total cost and includes the cost of the additional reserves (per the assumptions) and costs related to the variability and day-ahead forecast error for wind generation.
2. The cost of additional reserves above the assumed levels attributable to wind generation is included in the total integration cost. Special hourly cases were run to isolate this cost, and found it to be about \$0.11/MWH of wind energy at 20% penetration by energy.
3. The TRC decision to combine the Minnesota balancing authorities into a single functional balancing authority had a significant impact on results. Sharing balancing authority functions substantially reduces requirements for certain ancillary services such as regulation and load following (with or without wind generation). The required amount of regulation capacity is reduced by almost 50%. Additional benefits are found with other services such as load following. In addition, there are a larger number of discrete units available to provide these services.
4. The expanse of the wind generation scenario, covering Minnesota and the eastern parts of North and South Dakota, provides for substantial “smoothing” of wind generation variations. This smoothing is especially evident at time scales within the hour, where the impacts on regulation and load following were almost negligible. Smoothing also occurs over multiple hour time frames, which reduces the burden on unit commitment and dispatch, assuming that transmission issues do not intervene to affect operations. Finally, the number of hours at either very high or very low production are reduced, allowing the aggregate wind generation to behave as a more stable supply of electric energy
5. The transmission expansion as described in the assumptions and detailed in Appendix A combined with the decision to inject wind generation at high voltage buses was adequate for transportation of wind energy in all of the scenarios. Under these assumptions, there were no significant congestion issues attributable to wind generation and no periods of negative Locational Marginal Price (LMP) observed in the hourly simulations.
6. The MISO energy market also played a large role in reducing wind generation integration costs. Since all generating resources over the market footprint are

committed and dispatched in an optimal fashion, the size of the effective system into which the wind generation for the study is integrated grows to almost 1200 individual generating units. The aggregate flexibility of the units on line during any hour is adequate for compensating most of the changes in wind generation.

The magnitude of this impact can be gauged by comparing results from recent integration studies for smaller systems. In the 2004 study for Xcel Energy, for example, integration costs were determined to be no higher than \$4.60/MWH for a wind generation penetration by capacity of 15%, which would be closer to 10% penetration on an energy basis.

7. The contribution of wind generation to power system reliability is subject to substantial inter-annual variability. Annual Effective Load Carrying Capability (ELCC) values for the three wind generation scenarios from rigorous Loss of Load Probability (LOLP) analysis ranged from a low of 5% of installed capacity to over 20%. These results were consistent with those derived through approximate methods.

## PROJECT AND REPORT OVERVIEW

EnerNex Corporation, of Knoxville, Tennessee was selected to be the prime contractor for the study. WindLogics, of St. Paul, Minnesota was subcontracted by EnerNex to perform the wind resource characterization and develop the long-term chronological wind speed data sets upon which the analyses of the Minnesota power system were based.

The study was conducted through an open and transparent process that involved the Commission, technical representatives from the Minnesota utility companies, the Midwest Independent System Operator, and stakeholder groups, along with technical experts in wind generation from across the country. The approach, data, assumptions, and analytical methodology were reviewed and extensively discussed at review meetings over the course of the project. Interim results were presented and evaluated, with recommendations from this Technical Review Committee (TRC) guiding subsequent analyses.

The technical scope for the project was based on the original Request-for-Proposal from the Minnesota Public Utilities Commission. As the project progressed, some revisions to this original scope were necessary as a result of assumptions and decisions made in conjunction with the TRC. This report documents the project as conducted.

The contribution of the Midwest Independent System Operator to this effort was very significant. Analysis of an electric power system of the geographic extent and operation complexity considered in this study would have been extremely difficult if not impossible without the support and collaboration of the MISO engineering staff. The project team thanks MISO staff for their efforts and significant contribution.

This report is comprised of four main sections. In Section 2, the approach used to develop the chronological wind generation data so critical to the analytical methodology is described. Characterizations of the wind resource in the state of Minnesota are also presented, and are documented in detail in the companion volume to this report.

Section 3 details the assumptions made in conjunction with the project Technical Review Committee to govern the analysis. Data comprising the models of the electric power system in Minnesota to be used in the analysis are also described. Analysis and

assumptions regarding the impact of wind generation on system reserve requirements is presented.

In Section 4 the analytical approach to determining the contribution of the wind generation model to system reliability is documented, along with results of the analytical procedures and conclusions.

Finally, Section 5 details how wind generation affects the operation of the Minnesota power system, as determined from annual hour-by-hour simulations of generation unit commitment and dispatch.

# **Section 1**

## **INTRODUCTION**

---

In 2005 the Minnesota Legislature adopted a requirement for a study “of the impacts on reliability and costs associated with increasing wind capacity to 20% of Minnesota retail electric energy sales by the year 2020, and to identify and develop options for utilities to use to manage the intermittent nature of wind resources.” The office of the Reliability Administrator of the Minnesota Public Utilities Commission was assigned responsibility for management of the study.

All utilities with Minnesota retail electric sales participated in this study (totaling approximately 62,000 GWH in 2004). Eight Balancing Authorities are represented with over 85% of the retail sales in the four largest Balancing Authorities: Xcel (NSP), Great River Energy, Minnesota Power, and Otter Tail Power. Projected to 2020, 20% of retail sales will require approximately 5,000 MW of total wind generation. The study area is within the Midwest Reliability Organization (MRO) NERC reliability region and the Mid-Continent Area Power Pool (MAPP) Generation Reserve Sharing Pool. Nearly 95% of the retail sales are within the Midwest Independent System Operator (MISO). Prior wind integration studies of relevance include the 2004 Xcel Energy / MN DOC study and the 2005 NYSERDA / NYISO study. Recent and current regional power studies of relevance include the 2006 MISO Transmission Expansion Plan, the 2003 MAPP Reserve Capacity Obligation Review, and CapX 2020 transmission planning.

### **CHARACTERISTICS OF WIND GENERATION**

The nature of its “fuel” supply distinguishes wind generation from more traditional means for producing electric energy. The electric power output of a wind turbine depends on the speed of the wind passing over its blades. The effective speed (since the wind speed across the swept area of the wind turbine rotor is not necessarily uniform) of this moving air stream exhibits variability on a wide range of time scales – from seconds to hours, days, and seasons. Terrain, topography, other nearby turbines, local and regional weather patterns, and seasonal and annual climate variations are just a few of the factors that can influence the electrical output variability of a wind turbine generator.

It should be noted that variability in output is not confined only to wind generation. Hydro plants, for example, depend on water storage that can vary from year to year or even seasonally. Generators that utilize natural gas as a fuel can be subject to supply disruptions or storage limitations. Cogeneration plants may vary their electric power production in response to demands for steam rather than the wishes of the power system operators. That said, the effects of the variable fuel supply are likely more significant for wind generation, if only because the experience with these plants accumulated thus far is so limited.

An individual turbine is negligibly small with respect to the load and other supply resources in a control area, so the aggregate performance of a large number of turbines

is what is of primary interest with respect to impacts on the transmission grid and system operations. Large wind generation facilities that connect directly to the transmission grid employ large numbers of individual wind turbine generators, with the total nameplate generation on par with other more conventional plants. Individual wind turbine generators that comprise a wind plant are usually spread out over a significant geographical area. This has the effect of exposing each turbine to a slightly different fuel supply. This spatial diversity has the beneficial effect of “smoothing out” some of the variations in electrical output. The effects of physical separation are also apparent on larger geographical scales, as the combined output of multiple wind plants will be less variable (as a percentage of total output) than for each plant individually.

Another aspect of wind generation, which applies to conventional generation but to a much smaller degree, is the ability to predict with reasonable confidence what the output level will be at some time in the future. Conventional plants, for example, cannot be counted on with 100% confidence to produce their rated output at some coming hour since mechanical failures or other circumstances may limit their output to a lower level or even result in the plant being taken out of service. The probability that this will occur, however, is low enough that such an occurrence is often discounted or completely ignored by power system operators in short-term planning activities.

Because wind generation is driven by the same physical phenomena that control the weather, the uncertainty associated with a prediction of generation level at some future hour, even maybe the next hour, is significant. In addition, the expected accuracy of any prediction will degrade as the time horizon is extended, such that a prediction for the next hour will almost always be more accurate than a prediction for the same hour tomorrow.

The combination of production variability and relatively high uncertainty of prediction makes it difficult, at present, to “fit” wind generation into established practices and methodologies for power system operations and short-term planning and scheduling. These practices, and even emerging concepts such as hour and day-ahead competitive markets, have a necessary bias toward “capacity” - because of system security and reliability concerns so fundamental to power system operation - with energy a secondary consideration.

## OVERVIEW OF UTILITY SYSTEM OPERATIONS

### Short-Term Planning and Real-Time Operation

Interconnected power systems are large and extremely complex machines, consisting of tens of thousands of individual elements. The mechanisms responsible for their control must continually adjust the supply of electric energy to meet the combined and ever-changing electric demand of the system’s users. There are a host of constraints and objectives that govern how this is done. For example, the system must operate with very high reliability and provide electric energy at the lowest possible cost. Limitations of individual network elements – generators, transmission lines, substations – must be honored at all times. The capabilities of each of these elements must be utilized in a fashion to provide the required high levels of performance and reliability at the lowest overall cost.

Operating the power system, then, involves much more than adjusting the combined output of the supply resources to meet the load. Maintaining reliability and acceptable performance, for example, require that operators:

- Keep the voltage at each node (a point where two or more system elements – lines, transformers, loads, generators, etc. – connect) of the system within prescribed limits;
- Regulate the system frequency (the steady electrical speed at which all generators in the system are rotating) of the system to keep all generating units in synchronism;
- Maintain the system in a state where it is able to withstand and recover from unplanned failures or losses of major elements.

The activities and functions necessary for maintaining system performance and reliability and minimizing costs are generally classified as “ancillary services.” While there is no universal agreement on the number or specific definition of these services, the following items adequately encompass the range of technical aspects that must be considered for reliable operation of the system:

- Voltage regulation and reactive power dispatch – deploying of devices capable of generating reactive power to manage voltages at all points in the network;
- Regulation – the process of maintaining system frequency by adjusting certain generating units in response to fast fluctuations in the total system load;
- Load following – moving generation up (in the morning) or down (late in the day) in response to the daily load patterns;
- Frequency-responding spinning reserve – maintaining an adequate supply of generating capacity (usually on-line, synchronized to the grid) that is able to quickly respond to the loss of a major transmission network element or another generating unit;
- Supplemental Reserve – managing an additional back-up supply of generating capacity that can be brought on line relatively quickly to serve load in case of the unplanned loss of significant operating generation or a major transmission element.

The frequency of the system and the voltages at each node are the fundamental performance indices for the system. High interconnected power system reliability is a consequence of maintaining the system in a secure state – a state where the loss of any element will not lead to cascading outages of other equipment - at all times.

The electric power system in the United States (contiguous 48 states) is comprised of three interconnected networks: the Eastern Interconnection (most of the states East of the Rocky Mountains), the Western Interconnection (Rocky Mountain States west to the Pacific Ocean), and ERCOT (most of Texas). Within the Eastern and Western interconnections, dozens of individual “control” areas coordinate their activities to maintain reliability and conduct transactions of electric energy with each other. A number of these individual control areas are members of Regional Reliability Organizations (RROs), which oversee and coordinate activities across a number of control areas for the purposes of maintaining the security of the interconnected power systems.

A control area consists of generators, loads, and defined and monitored transmission ties to neighboring areas. Each control area must assist the larger interconnection with maintaining frequency at 60 Hz, and balance load, generation, out-of-area purchases and sales on a continuous basis. In addition, a prescribed amount of backup or reserve capacity (generation that is unused but available within a certain amount of time) must

be maintained at all times as protection against unplanned failure or outage of equipment.

To accomplish the objectives of minimizing costs and ensuring system performance and reliability over the short term (hours to weeks), the activities that go on in each control area consist of:

- Developing plans and schedules for meeting the forecast load over the coming days, weeks, and possibly months, considering all technical constraints, contractual obligations, and financial objectives;
- Monitoring the operation of the control area in real time and making adjustments when the actual conditions - load levels, status of generating units, etc. - deviate from those that were forecast.

A number of tools and systems are employed to assist in these activities. Developing plans and schedules involves evaluating a very large number of possibilities for the deployment of the available generating resources. A major objective here is to utilize the supply resources so that all obligations are met and the total cost to serve the projected load is minimized. With a large number of individual generating units with many different operational characteristics and constraints, fuel types, efficiencies, and other supply options such as energy purchases from other control areas, software tools must be employed to develop optimal plans and schedules. These tools assist operators in making decisions to "commit" generating units for operation, since many units cannot realistically be stopped or started at will. They are also used to develop schedules for the next day or days that will result in minimum costs if adhered to and if the load forecasts are accurate.

The Energy Management System (EMS) is the technical core of modern control areas. It consists of hardware, software, communications, and telemetry to monitor the real-time performance of the control area and make adjustments to generating unit and other network components to achieve operating performance objectives. A number of these adjustments happen very quickly without the intervention of human operators. Others, however, are made in response to decisions by individuals charged with monitoring the performance of the system.

The nature of control area operations in real-time or in planning for the hours and days ahead is such that increased knowledge of what will happen correlates strongly to better strategies for managing the system. Much of this process is already based on predictions of uncertain quantities. Hour-by-hour forecasts of load for the next day or several days, for example, are critical inputs to the process of deploying electric generating units and scheduling their operation. While it is recognized that load forecasts for future periods can never be 100% accurate, they nonetheless are the foundation for all of the procedures and process for operating the power system. Increasingly sophisticated load forecasting techniques and decades of experience in applying this information have done much to lessen the effects of the inherent uncertainty

### **Wind Generation and Long-Term Power System Reliability**

In longer term planning of electric power systems, overall reliability is often gauged in terms of the probability that the planned generation capacity will be insufficient to meet the projected system demand. This question is important from the planning perspective because it is recognized that even conventional electric generating plants and units are not completely reliable – there is some probability that in a given future hour capacity from the unit would be unavailable or limited in capability due to a forced outage – i.e.

mechanical failure. This probability of not being able to meet the load demand exists even if the installed capacity in the control area exceeds the peak projected load.

In this sense, conventional generating units are similar to wind plants. For conventional units, the probability that the rated output would not be available is rather low, while for wind plants the probability could be quite high. Nevertheless, a rigorous statistical computation of system reliability would reveal that the probability of not being able to meet peak load is lower with a wind plant on the system than without it.

The capacity value of wind plants for long term planning analyses is currently a topic of significant discussion in the wind and electric power industries. Characterizing the wind generation to appropriately reflect the historical statistical nature of the plant output on hourly, daily, and seasonal bases is one of the major challenges. Several techniques that capture this variability in a format appropriate for formal reliability modeling have been proposed and tested. The lack of adequate historical data for the wind plants under consideration is an obstacle for these methods.

The capacity value issue also arises in other, slightly different contexts. In the Mid-Continent Area Power Pool (MAPP), the emergence of large wind generation facilities over the past decade led to the adaptation of a procedure use for accrediting capacity of hydroelectric facilities for application to wind facilities. Capacity accreditation is a critical aspect of power pool reserve sharing agreements. The procedure uses historical performance data to identify the energy delivered by these facilities during defined peak periods important for system reliability. A similar retrospective method was used in California for computing the capacity payments to third-party generators under their Standard Offer 4 contract terms.

By any of these methods, it can be shown that wind generation does make a calculable contribution to system reliability in spite of the fact that it cannot be directly dispatched like most conventional generating resources. The magnitude of that contribution and the appropriate method for its determination are important questions.

### **Influence of the MISO Market on Minnesota Utility Company Operations**

Electric power industry developments over the past two decades have brought a new framework for system planning and operations. Traditional utility company functions such as the commitment and scheduling of generation have been supplanted by new mechanisms that seek to optimize operation of the electric supply and transportation system over a footprint much larger than a single utility company service territory.

MISO wholesale energy markets have changed the process by which Minnesota utility companies commit and schedule generation and buy and sell energy to meet their load obligations. It has been found in previous wind generation integration studies that modeling the “business environment” in the analytical methodology can have a significant effect on the results. As such, the operation of the MISO markets is a major consideration in the analytical methodology assembled for this study.

### **PROJECT ORGANIZATION**

EnerNex Corporation, of Knoxville, Tennessee was selected to be the prime contractor for the study. WindLogics, of St. Paul, Minnesota was subcontracted by EnerNex to perform the wind resource characterization and develop the long-term chronological wind speed data sets upon which the analyses of the Minnesota power system were based.

The study was conducted through an open and transparent process that involved the Commission, technical representatives from the Minnesota utility companies, the Midwest Independent System Operator, and stakeholder groups, along with technical experts in wind generation from across the country. The approach, data, assumptions, and analytical methodology were reviewed and extensively discussed at review meetings over the course of the project. Interim results were presented and evaluated, with recommendations from this Technical Review Committee (TRC) guiding subsequent analyses.

The technical scope for the project was based on the original Request-for-Proposal from the Minnesota Public Utilities Commission. As the project progressed, some revisions to this original scope were necessary as a result of assumptions and decisions made in conjunction with the TRC. This report documents the project as conducted.

The contribution of the Midwest Independent System Operator to this effort was very significant. Analysis of an electric power system of the geographic extent and operation complexity considered in this study would have been extremely difficult if not impossible without the support and collaboration of the MISO engineering staff. The project team thanks MISO staff for their efforts and significant contribution.

## **REPORT OVERVIEW**

This report is comprised of four main sections followed by conclusions. In Section 2 “Characterizing the Minnesota Wind Resource”, the approach used to develop the chronological wind generation data so critical to the analytical methodology is described. Characterizations of the wind resource in the state of Minnesota are also presented, and are documented in detail in the companion volume to this report.

Section 3 “Models and Assumptions” details the assumptions made in conjunction with the project Technical Review Committee to govern the analysis. Data comprising the models of the electric power system in Minnesota to be used in the analysis are also described. Analysis and assumptions regarding the impact of wind generation on system reserve requirements is presented.

In Section 4 “Reliability Impacts”, the analytical approach to determining the contribution of the wind generation model to system reliability is documented, along with results of the analytical procedures and conclusions.

Finally, Section 5 “Operating Impacts” details how wind generation affects the operation of the Minnesota power system, as determined from annual hour-by-hour simulations of generation unit commitment and dispatch.

## Section 2

### CHARACTERIZING THE MINNESOTA WIND RESOURCE

---

Variability and uncertainty are the two attributes of wind generation that underlie most of the concerns related to power system operations and reliability. In day-ahead planning, whether it be for conventional unit commitment or offering generation into an energy market, forecasts of the demand for the next day will drive the process. In real-time operations, generating resource must be maneuvered to match the ever-changing demand pattern. To the extent that wind generation adds to this variability and uncertainty, the challenge for meeting demand at the lowest cost while maintaining system security is increased.

Recent studies have shown that a high-fidelity, long-term, chronological representation of wind generation is perhaps the most critical element of this type of study. For large wind generation development scenarios, it is very important that the effects of spatial and geographic diversity be neither under- or over-estimated. The approach for this task has been used by EnerNex and WindLogics in at least six wind integration studies, including the Minnesota study of the Xcel system completed in 2004 for the Minnesota Department of Commerce.

The initial task of this project was focused on characterizing the wind resource in Minnesota and developing chronological wind speed and wind generation forecast data for use in later analytical tasks. The procedure and results of this effort are documented in detail in a companion report (Volume II).

#### SYNTHESIS OF WIND SPEED DATA FOR THE MN WIND GENERATION SCENARIOS

The base data for both the wind resource characterization and the production of wind speed and power time series were generated from the MM5 mesoscale model (Grell et al. 1995). This prognostic regional atmospheric model is capable of resolving mesoscale meteorological features that are not well represented in coarser-grid simulations from the standard weather prediction models run by the National Centers for Environmental Prediction (NCEP). The MM5 was run in a configuration utilizing two grids as shown in Fig. 1. This “telescoping” two-way nested grid configuration allowed for the greatest resolution in the area of interest with coarser grid spacing employed where the resolution of small mesoscale meteorological phenomena were not as important. This methodology was computationally efficient while still providing the necessary resolution for accurate representation of the meteorological scales of interest within the inner grid.

More specifically, the 4 km innermost grid spacing was deemed necessary to capture topographic influences on boundary layer flow and resolve mesoscale meteorological phenomena such as thunderstorm outflows. The 12 and 4 km grid spacing utilized in grids 1 and 2, respectively, yield the physical grid sizes of 2400 x 2400 km for grid 1, and 760 x 760 km for grid 2.

To provide an accurate assessment of the character and variability of the wind resource for Minnesota and the eastern Dakotas, three full years of MM5 simulations were completed. To initialize the model, the WindLogics archive of NCEP Rapid Update Cycle (RUC) model analysis data was utilized. The years selected for simulation were 2003, 2004 and 2005. The RUC

analysis data were used both for model initialization and for updating the model boundary conditions every 3 hours. This RUC data had a horizontal grid spacing of 20 km for all three years.

A Minnesota wind development scenario was constructed to support the development of the wind generation model for the analytical tasks. The target penetration level is based on a fraction of projected retail electricity sales in the 2020 study year, which from Table 6 is estimated to be 20% of 85,093 GWH. The next step in defining the scenario is to determine the actual installed wind generation capacity, which requires an estimate of the aggregate annual capacity factor. From this, the number of extraction points in the meteorological simulation model to reasonably represent the total installed capacity can be determined.

Table 6: 2020 Projections of Minnesota electric retail sales and wind generation at assumed annual capacity factors.

Retail Sales	Wind Percent	Wind Annual Capacity		2004	2011	2020
Annual Growth Rate	Retail Sales	Factor	MN Retail Sales (GWh)			
1.0%			Nameplate wind (MW)	61,986	66,457	72,683
	15%	40%		2,653	2,845	3,111
	20%	35%		4,043	4,335	4,741
	20%	40%		3,538	3,793	4,149
	25%	40%		4,422	4,741	5,186
2.0%			MN Retail Sales (GWh)	61,986	71,202	85,093
	15%	40%	Nameplate wind (MW)	2,653	3,048	3,643
	20%	35%		4,043	4,645	5,551
	20%	40%		3,538	4,064	4,857
	25%	40%		4,422	5,080	6,071

Data at 152 grid points (proxy towers) in the inner model nest were extracted every 5 min as the simulation progressed through historical years 2003, 2004, and 2005. This process ensured that the character and variability of the wind resource over several time scales across geographically dispersed locations is captured. Figure 3 depicts the MM5 innermost grid with selected locations for high time-resolution data extraction shown in Figure 3 and Figure 4. The sites were selected in coordination with the utility and government stakeholders represented on the Technical Review Committee to correspond to 1) existing wind plant locations such as those along the Buffalo Ridge and other regions of southern Minnesota, 2) proposed locations for near-future wind plant development or 3) favorable locations for future wind production with emphasis given to a distribution of wind energy plants that would provide beneficial geographic dispersion. The 2005 Minnesota Department of Commerce high resolution state wind map was used, in part, for guidance in assessing favorable development areas. Overall, 152 sites were located in 62 counties in the three state domain at locations within the county with an expected favorable wind resource. Consideration was also given to the existence of nearby transmission and substations. Model data extracted at each site included wind direction and speed, temperature and pressure at 80 and 100 m hub heights.

Each data extraction point was assigned to one or more of the wind generation scenarios to be considered in the study. The TRC was consulted to help define the makeup of each scenario. The result of these discussions is shown in Figure 5. The 15% scenario includes all of the existing wind generation, which is mostly on the

Buffalo Ridge, and adds sites distributed across the region. The increment to 20% wind generation continues with the addition of distributed sites. To reach the 25% penetration level, the remaining data extraction points in the model are added, with the bulk of these located on the Buffalo Ridge.

The non-wind variables were extracted to calculate air density that is used along with the wind speed in turbine power calculations. With this data, Wind Logics developed time series of 80 and 100 m wind speed and power at 5 minute and 1 hour time increments for use by EnerNex in system modeling efforts described in later analytical efforts.

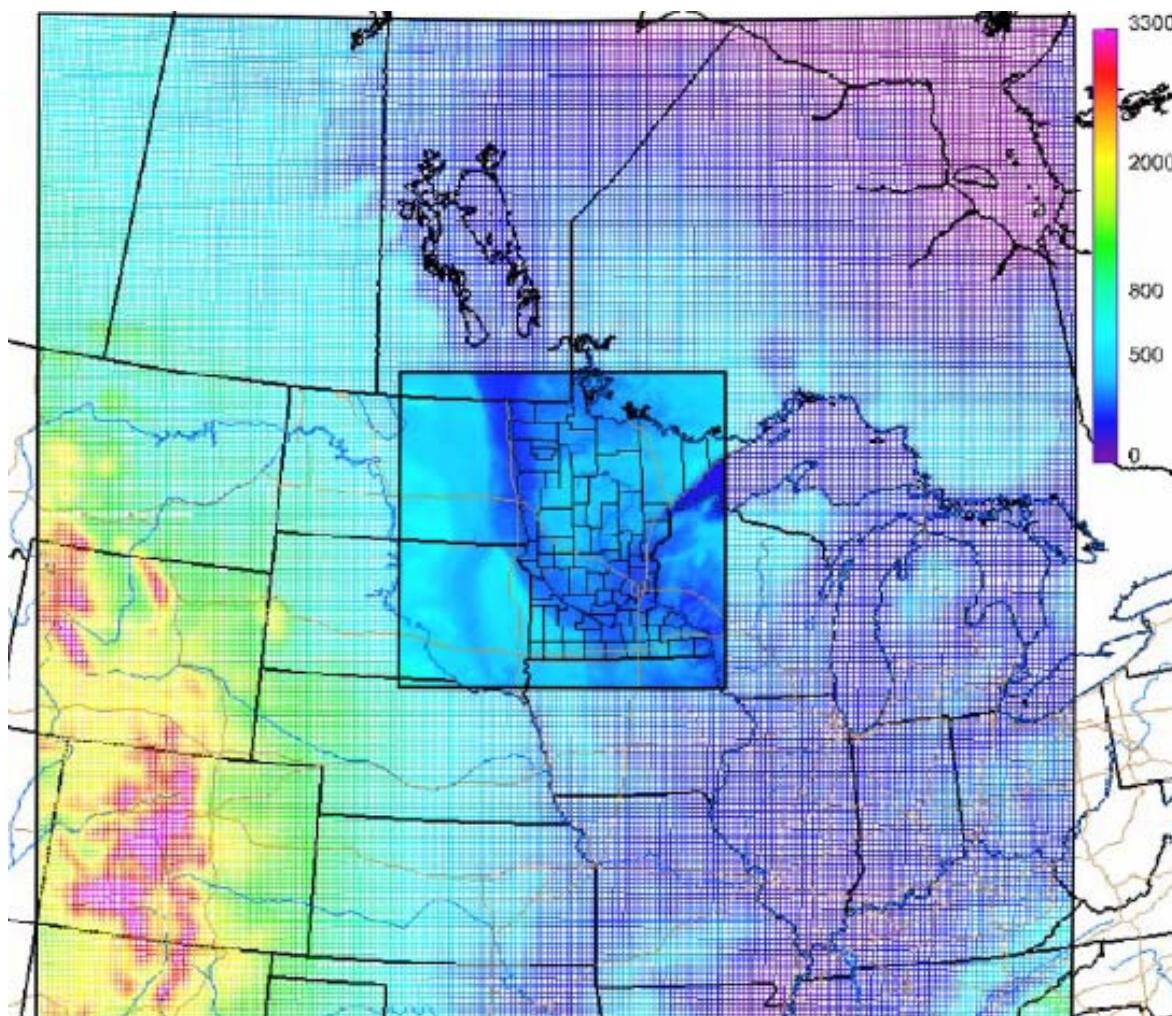


Figure 3: Inner and outer nested grids used in MM5 meteorological simulation model.

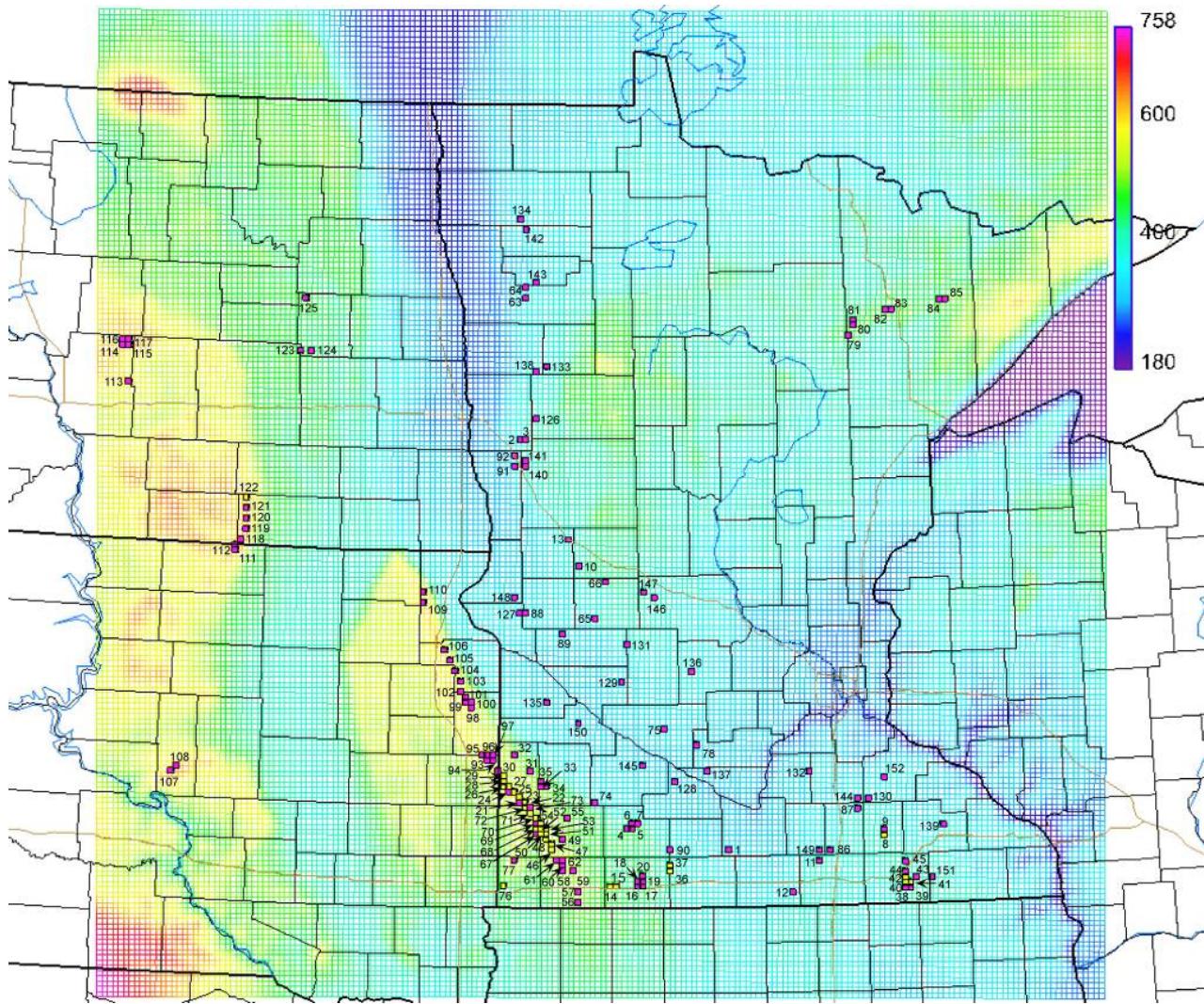
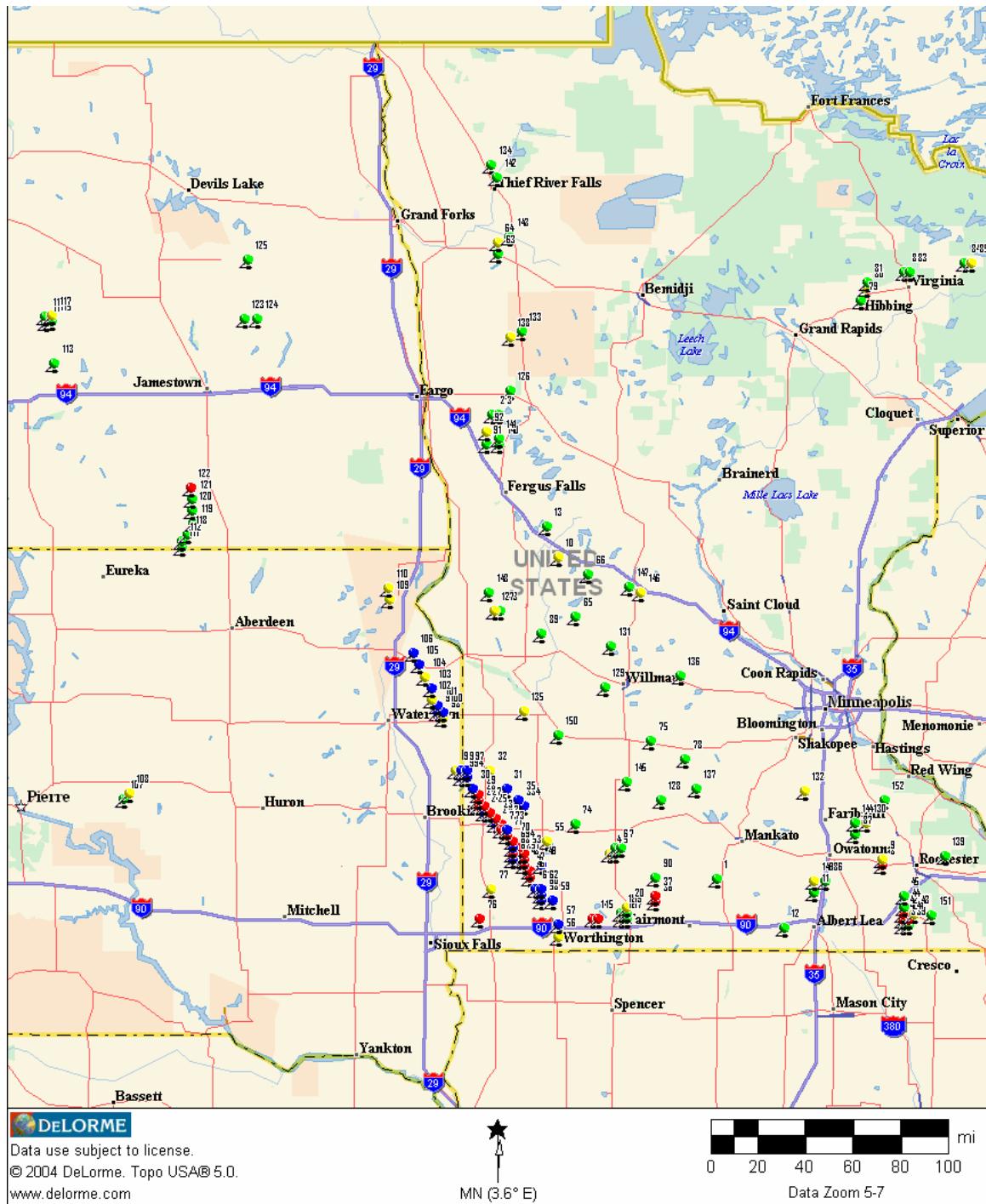


Figure 4: Location of "proxy towers" (model data extraction points) on inner grid (yellow are existing / contracted).

Results of the meteorological simulations were summarized in a variety charts and graphs that illustrate the nature of the wind resource in Minnesota. Figure 6 and Figure 7 show just a few of these, and illustrate the mean annual wind speed and estimated net capacity factor for a turbine with an 80 m hub-height.



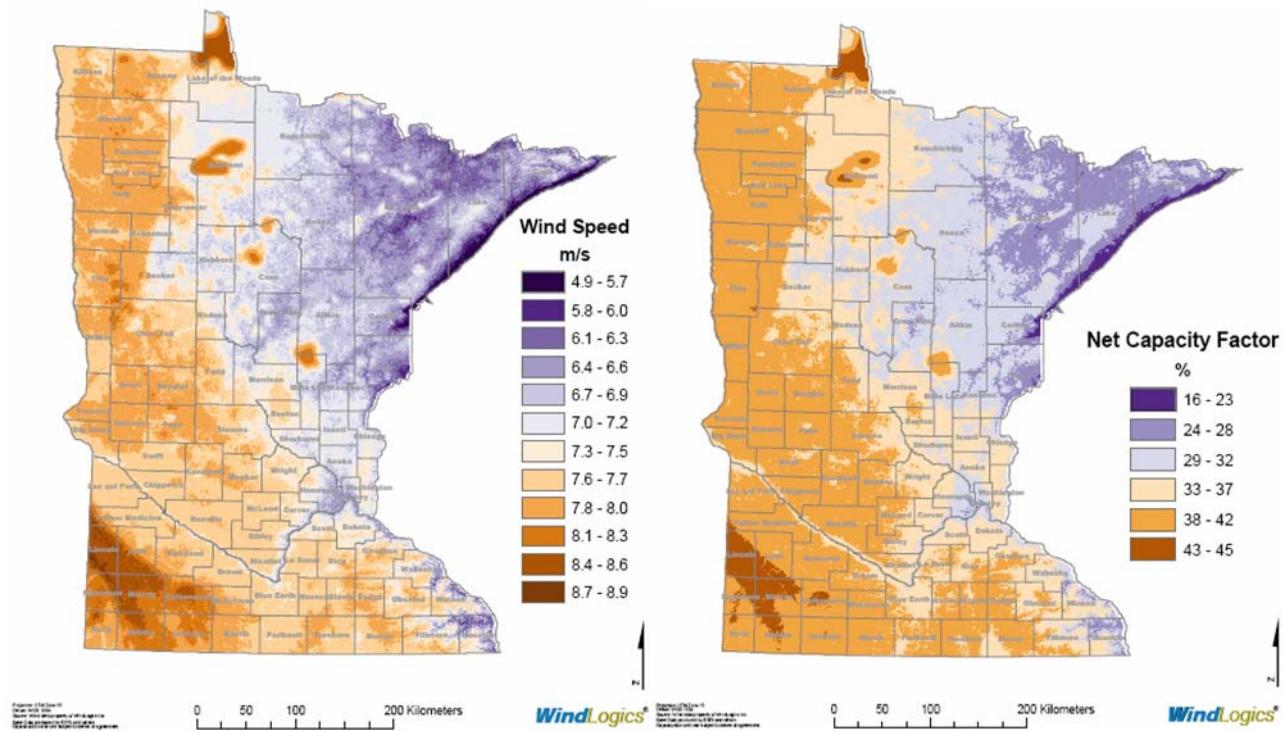


Figure 6: Mean annual wind speed at 80 m AGL ( $r$ ) and net annual capacity factor ( $I$ ).

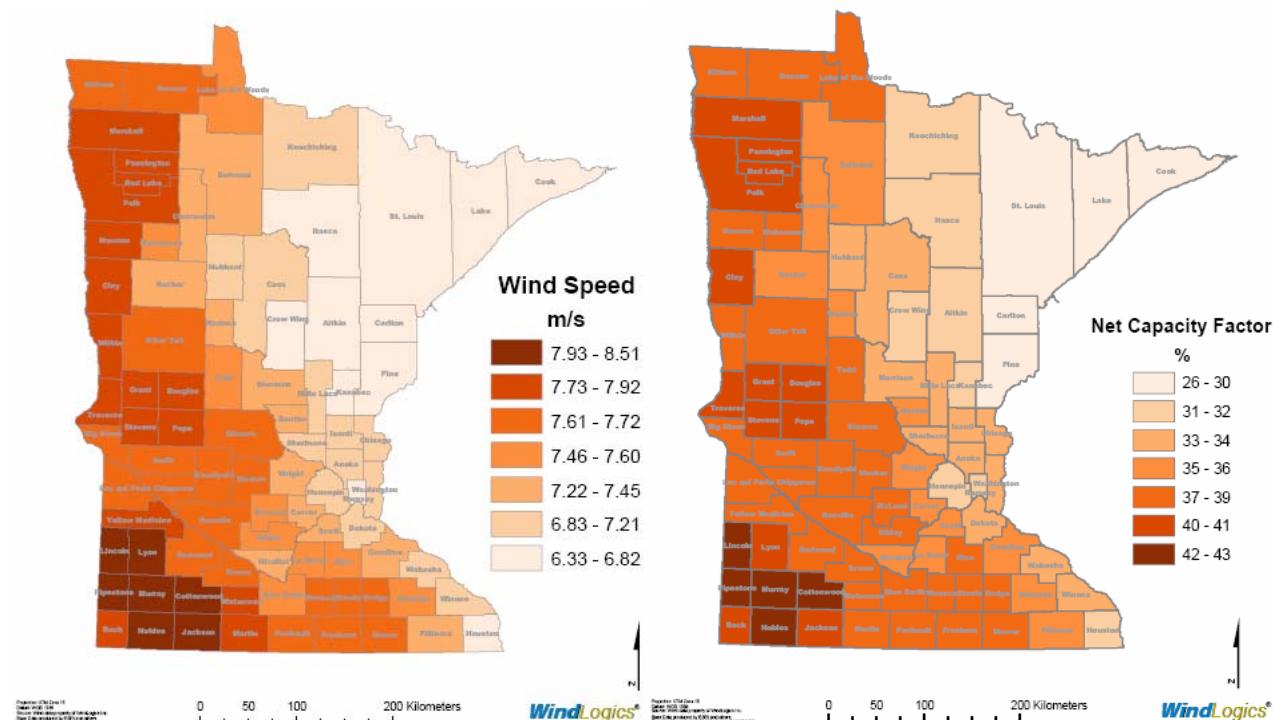


Figure 7: Mean annual wind speed at 80 m AGL ( $r$ ) and net annual capacity factor assuming 14% losses from gross and Vestas V82 1.65 MW MKII power curve, (left) by county.

## **WIND GENERATION FORECASTS**

The uncertainty attribute of wind generation stems from the errors in forecasts of wind generation over forward periods. Because this attribute is to be explicitly represented in the later analytical tasks, a companion time series of wind generation forecasts for a time period 18 to 42 hours in the future was developed. This corresponds to the forecast that would be used for generation unit commitment in general, or participation in day-ahead market in the case of MISO. Information on short-term forecasting (one to a few hours ahead) was utilized in the assessment of wind generation impacts on real-time operation of the power system.

The day-ahead 24-hour forecast time series used for the hourly analysis described later in the report has a mean absolute error of around 20% of rated capacity.

Further information on the development and assessment of wind generation forecasting can be found in the Volume II report.

## **SPATIAL AND GEOGRAPHIC DIVERSITY**

When wind generation is an appreciable fraction of the supply picture, variations in production over time drive the need for maneuverable generation to compensate. The nature of the wind generation changes over various operational time scales from minutes to multiple hours is a critical consideration in assessing wind integration costs. The variation of the aggregate wind generation resource is very much affected by the location of the wind turbines and wind plants with respect to each other, as illustrated in Figure 8. As the distance between individual wind turbines, then individual wind plant on a larger scale grows, production variation exhibit less correlation (a correlation coefficient of 1.0 means that the changes happen at the same time; a coefficient of 0.0 means that the changes are not related). The consequence for system operations is that spatially and geographically dispersed wind generation will be less variable in the aggregate than the same amount of wind generation concentrated at a single site or within a single region.

The effects of spatial and geographic diversity were quantified for this study through analysis of the wind generation data developed from meteorological simulations. Figure 9 shows the hourly changes in wind generation for a single location along with combinations of regionally-dispersed locations. Reduction in the hourly variability due to the aggregation of individual wind generation sources over the region is very evident from the plot.

Figure 10 illustrates another significant effect of geographic diversity. The distribution of hour production over an annual period is shown for scenarios of increasing geographic diversity. As wind generation from an increasing number of geographically separated locations in the region is aggregated, the number of very high and very low production hours drops substantially. Hours at production levels between the extremes is increased. This influence has important implications for power system operations, as will be seen later.

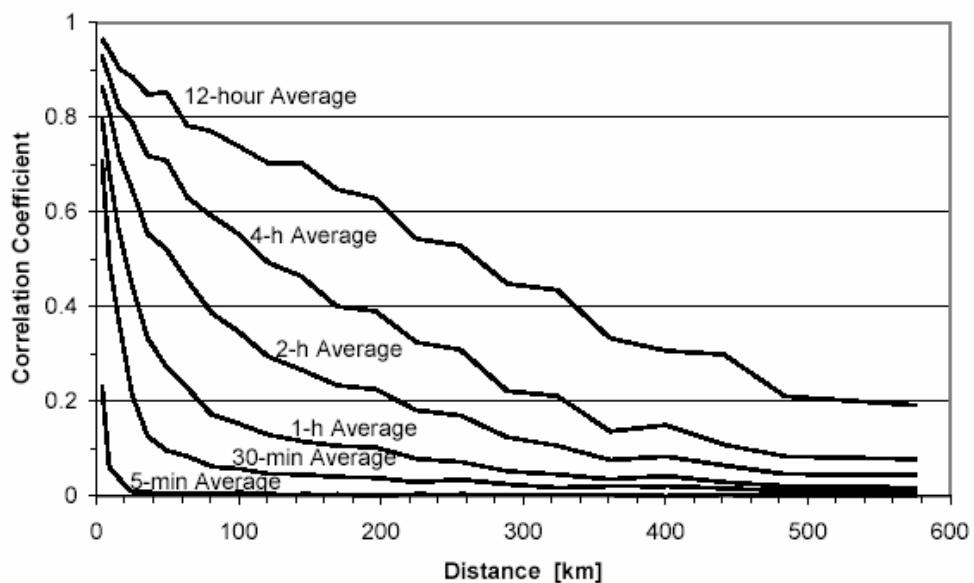


Figure 8: Correlation of wind generation power changes to distance between plants/turbines.  
From NREL/CP-500-26722, July, 1999

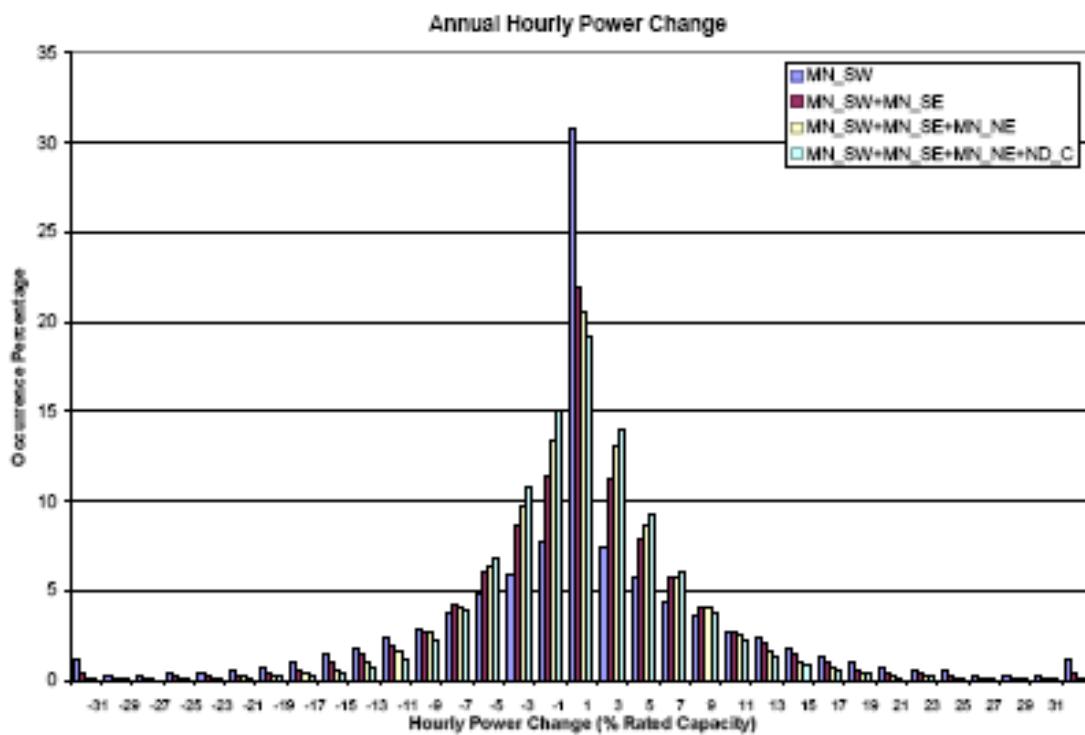


Figure 9: Reduction in hourly variability (change) of wind generation as wind generation over the region is aggregated.

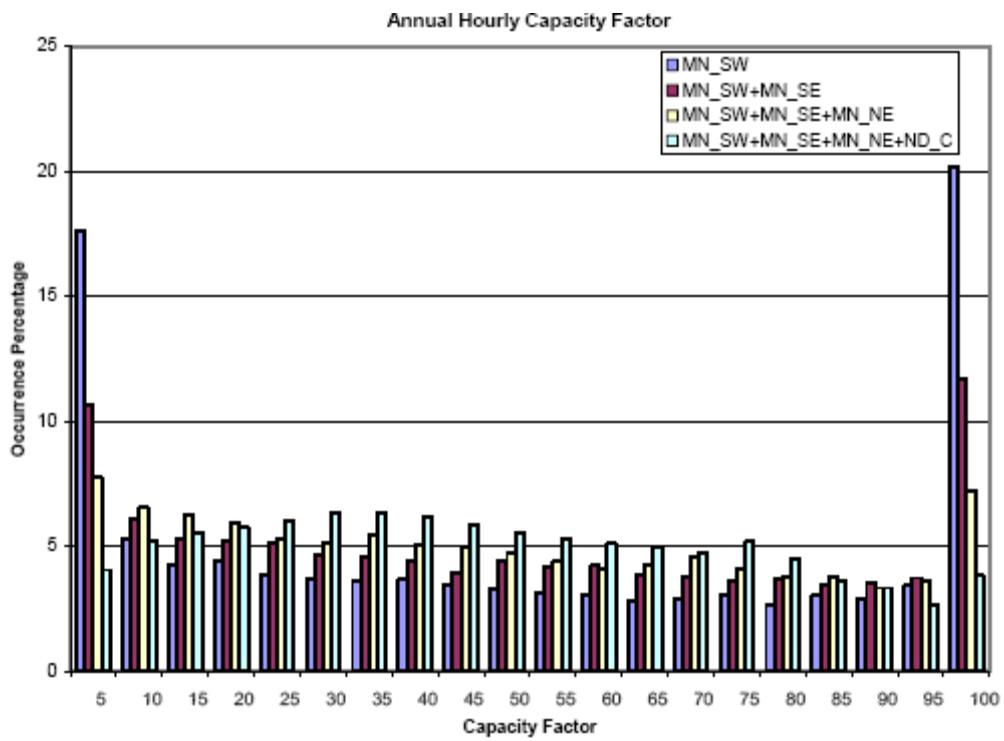


Figure 10: Annual histogram of occurrence percentage of hourly capacity factor for four levels of geographic dispersion. Data is based on hourly performance for the Vestas V82 1.65 MW turbine and reflects gross capacity factors. See legend for specific geographic dispersion scenario. Note: MN\_SW = Minnesota Southwest, MN\_SE = Minnesota Southeast, MN\_NE = Minnesota Northeast, and ND\_C = North Dakota Central.

## **Section 3**

### **MODELS AND ASSUMPTIONS**

---

The analytical methodology used for this study is based on chronological simulations of generation unit commitment and dispatch over an extended data record. The “rules” for conducting these simulations must reflect the business rules and operating realities of the system or systems being modeled. Defining these rules and other assumptions so that they can be modeled and appropriately factored into the analytical methodology is a critical part of the study process. Scenarios that are substantially out into the future can be especially challenging since many of the rules and regulations that govern current-day power system operations may no longer be relevant to the time of interest.

A significant amount of effort was placed into defining the assumptions for the 2020 study scenario through a collaborative process involving the study sponsors and Technical Review Committee. The purpose of this section is to describe and document those assumptions.

#### **MISO MARKET STRUCTURE**

Power system operation is governed by both technical and economic considerations. On the technical side, system security must be maintained at all times, and the dispatching of generation to meet obligations (primarily serving load plus delivering on promises to buy or sell energy) must be performed in a manner which constitutes acceptable control performance. The economic objective is to meet these obligations in the most favorable financial sense, based on minimizing variable operating costs within the market.

Startup of MISO energy market operations has brought some significant changes to the way that Minnesota utilities manage their generating resources. In essence, under MISO market operations, the Minnesota utility companies pool their resources and obligations with other MISO market participants. The market then determines what resources are used to meet load in the most economic manner while respecting all constraints on individual units, the needs of the system as a whole, transmission facilities, and considerations for secure operation.

The arrangement of the MISO market and reliability authority footprint is shown in Figure 11. MISO operates a daily Day-Ahead Energy Market that closes at 11:00 am the day prior to the operating day, and a Real-Time energy market that closes 30 minutes prior to the Operating Hour. Energy cost in the day-ahead and real-time market is based on the highest priced energy that is offered into the market and is required to meet load, or “cleared”. All generators are paid the clearing price for that period and all loads pay the clearing price for that time period. The net of payments results in simply a net cost of fuel for energy supplied to a utility’s loads from its owned portfolio of resources. The portion of utility load supplied from the market resources pays a net delivered purchased power price. Because transmission congestion and losses may prevent a generator in one physical part of the market from serving load in

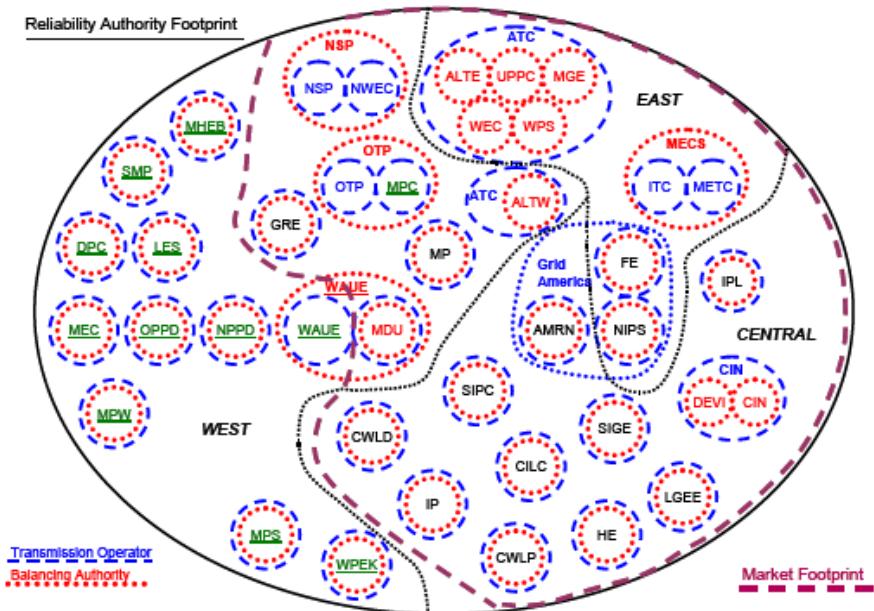
another part, the clearing price will vary by location. Another term for this geographically-varying price is *locational marginal price*, or “LMP”.

At present, the MISO market structure accepts output from wind generation resources “as delivered”, recognizing its fundamental inability to follow dispatch instructions. The financial supply cost optimization that occurs in the market automatically ramps down energy supply from the least efficient dispatchable generators in response to increases in wind generation that occur as a trend over many minutes. Conversely, the market will increase supply from the next most efficient available units in response to reductions in wind generation output that occur over many minutes.

The effect of the MISO market overlay extends beyond the day-ahead energy time frame. To facilitate the real-time market which is cleared at five minute intervals, it is necessary for MISO to have influence on the real-time dispatch of generation within each control area in the footprint. Figure 12 illustrates this structure. It should be noted that this represents a more sophisticated grid control and dispatch than traditional control area or control center operations. The net effect is that the real-time operation of all control areas within the market footprint is coordinated via this hierarchical structure. In more conventional operations, each control area is on its own with respect to balancing supply and demand and honoring scheduled transactions with neighbors.

There are currently 37 individual control areas within the MISO reliability footprint (Table 7). Not all of these control areas participate in the energy markets, but nonetheless are impacted by MISO dispatch and generation control structure. Development of MISO’s Ancillary Services Market (ASM) is well underway and will result in consolidation of certain balancing authority (control area) functions. The effect of such functional consolidation, as will be discussed later, will be to reduce the quantity of services required to maintain system security and control performance across the footprint. The ASM will transfer the source of short-interval responses to changes in wind output from today’s default of the individual utility control areas to the least-cost supply option available from the broader market footprint.

Exhibit 2-6: Midwest ISO Regions (West/Central/East)



Note 1: Systems under Midwest ISO Reliability Authority but not under the Energy Markets are shown as underlined.

Note 2: MDU is a pseudo Balancing Authority under Midwest ISO.

Note 3: ITC and METC are treated as separate Balancing Authorities for the Energy Markets.

Figure 11: Structure of MISO market and reliability footprints. (from MISO Business Practices Manual) Note: Southern Minnesota Municipal Power Agency is now a MISO market participant; LGE is leaving MISO).

## ANALYTICAL APPROACH

The technical analysis falls into two general categories – Reliability and Operating Impacts. The data and tools to be used to assess the impacts of the defined wind generation are described below.

### Reliability Analysis

The objective here is to determine to what extent wind generation would reduce the need for additional conventional capacity. This analysis involves assessing the probability of not being able to meet load in any given hour over a period due to outage of generating units. “LOLP” stands for “loss of load probability” and is the metric which defines the reliability of a system. A LOLP of one day in ten years, or 2.4 hours per year, a common target reliability level, is used in this analysis.

The reliability analysis is performed with two different tools. The first is GE-MARS (Multi-Area Reliability Simulation) from GE Energy which has been used by the MAPP Generation Reserve Sharing Pool in recent years to analyze the Reserve Capacity Obligation. The database compiled for the 2003 study conducted by GE for MAPP was obtained. The database was updated to reflect the generation expansion for the 2020 study year, and Minnesota load was increased as described in later sections of this document.

Wind generation was represented as a load modifier, meaning that the hourly demand in the Minnesota “area” in the MARS input data is the net of load and wind for each hour of the year. The analysis was conducted for three different “versions” of 2020, where the hourly wind and load patterns are based on the historical years 2003, 2004, and 2005. Using three years rather than a single year provides a relatively better characterization of the wind production during periods of high demand or risk to the system than would be obtained with just a single year.

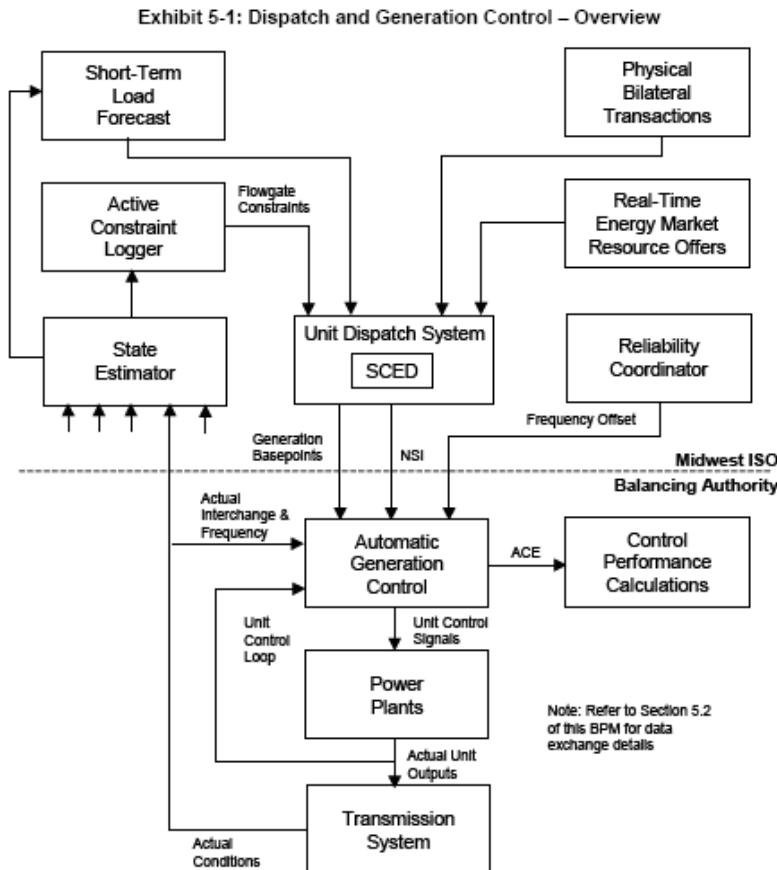


Figure 12: MISO structure for generation dispatch and control.

Table 7: Control Areas within MISO's Reliability Authority Footprint

	Balancing Authority Name	BA	Under MISO Market Note 4	Under MISO RA Note 5	NERC Region	Reliability Authority Note 3		Transmission Operator
						Central	St. Paul	
1	Alliant Energy - CA - ALTE	ALTE	Yes	4 Yes	2,691	MAIN	E	ATC
2	Alliant Energy - CA - ALTW	ALTW	Yes	4 Yes	3,932	MAIN	W	ATC
3	Ameren Transmission	AMRN	Yes	1 Yes	12,806	MAIN	C	AMRN, Grid America
4	Central Illinois Light Co.	CILC	Yes	1 Yes	1,268	MAIN	C	CILC
5	Cinergy Corporation	CIN	Yes	2 Yes	12,087	ECAR	C	CIN
6	Columbia Water & Light (Columbia, MO)	CWLD	Yes	1 Yes	305	MAIN	C	CWLD
7	City Water, Light & Power (Springfield, IL)	CWLP	Yes	1 Yes	479	MAIN	C	CWLP
8	DECA, LLC - Vermillion (Note 5)	DEVI	Yes	6 Yes	640	ECAR	C	CIN
9	Dairyland Power Cooperative	DPC	No	Yes		MAPP	W	DPC
10	First Energy Corp.	FE	Yes	2 Yes	13,238	ECAR	E	FE, Grid America
11	Great River Energy	GRE	Yes	1 Yes	2,570	MAPP	W	GRE
12	Hoosier Energy Rural Electric Co., Inc.	HE	Yes	1 Yes	1,216	ECAR	C	HE
13	Illinois Power Co.	IP	Yes	2 Yes	4,204	MAIN	C	IP
14	Indianapolis Power & Light Company	IPL	Yes	2 Yes	3,065	ECAR	C	IPL
15	Lincoln Electric System	LES	No	Yes		MAPP	W	LES
16	LG&E Energy Transmission Services	LGEE	Yes	2 Yes	7,042	ECAR	C	LGEE
17	MidAmerican Energy Company	MEC	No	Yes		MAPP	W	MEC
18	Michigan Electric Coordinated System (Note 1)	MECS	Yes	3 Yes	23,550	ECAR	E	ITC, METC, Wolverine
19	Madison Gas and Electric Company	MGE	Yes	4 Yes	785	MAIN	E	ATC
20	MHEB, Transmission Services	MHEB	No	Yes		MAPP	W	MHEB
21	Minnesota Power, Inc.	MP	Yes	1 Yes	1,670	MAPP	W	MP
22	Aquila Networks - Missouri Public Service	MPS	No	Yes		SPP	W	MPS
23	Muscatine Power and Water	MPW	No	Yes		MAPP	W	MPW
24	Northern Indiana Public Service Company	NIPS	Yes	2 Yes	3,415	ECAR	E	NIPS, Grid America
25	Nebraska Public Power District	NPPD	No	Yes		MAPP	W	NPPD
26	Northern States Power Company (Xcel Energy)	NSP	Yes	2 Yes	8,595	MAPP	W	NSP, NWECC
27	OPPD CAVTP	OPPD	No	Yes		MAPP	W	OPPD
28	Otter Tail Power Company	OTP	Yes	1 Yes	2,100	MAPP	W	OTP, MPC
29	Southern Indiana Gas & Electric Co. - Vevco	SIGE	Yes	2 Yes	1,888	ECAR	C	SIGE
30	Southern Illinois Power Cooperative	SIPC	Yes	1 Yes	255	MAIN	C	SIPC
31	Southern Minnesota Municipal Power Agency	SMP	No	Yes		MAPP	W	SMP
Future	BaskPower Grid Control Centre	SPC	No	No		MAPP		SPC
32	Upper Peninsula Power Co.	UPPC	Yes	4 Yes	144	MAIN	E	ATC
33	Western Area Power Administration – UGPR	WAEUE	No	Yes		MAPP	W	WAEUE
34	Wisconsin Energy Corporation	WEC	Yes	5 Yes	6,636	MAIN	E	ATC
35	Aquila Networks- Western Plains East Kansas	WPEK	No	Yes		SPP	W	WPEK
36	Wisconsin Public Service Corporation	WPS	Yes	4 Yes	2,641	MAIN	E	ATC
37	Montana-Dakotas Utilities (Note 2)	MDU	Yes	1 Yes	465	MAPP	W	MDU

Note 1: DECO and CONS (both within MECs) are treated as individual BAs for purposes of the Energy Markets. DECO and CONS are assigned separate Estimated Peak Demand values. (DECO = 12,882 MW) (CONS = 10,668 MW).

Note 2: MDU is a pseudo Balancing Authority under the Midwest ISO.

Note 3: E = East C = Central W = West

Note 4: The number in this column represents the BA configuration type described in Exhibit 2-10 of this BPM.

Note 5: The number in this column represents the Estimated Peak Demand from the NERC 2005 CPSZ Bounds Report. The value for DEVI is the Installed Capacity from the same NERC Report.

The capacity value of wind can be imputed from two different series of program runs. In the first series, wind is ignored, and the program computes the LOLP for different load levels which surround the predicted peak value for the year. In the second series, wind is added as a load modifier. The effect is that the “curve” from the first series of runs is shifted rightward (Figure 13). The difference between the load which can be served at the target reliability level for the cases with and without wind generation is assigned as the “Effective Load-Carrying Capability” (ELCC) of wind generation, i.e. the capacity value.

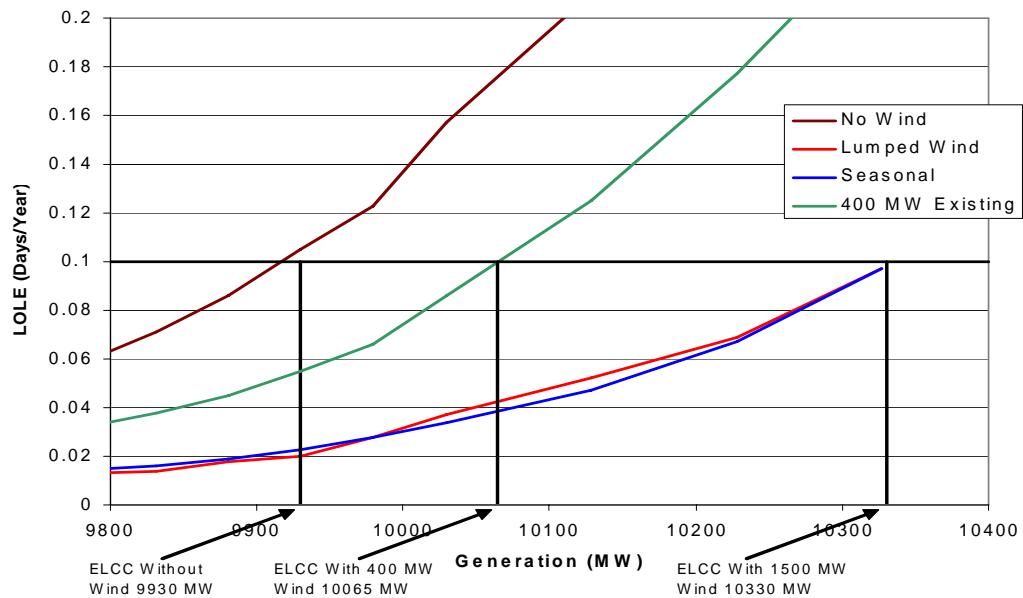


Figure 13: Determining wind generation capacity value by LOLP analysis.

MISO uses a program called “Marelli” from New Energy Associates (makers of PROMOD) to conduct reliability studies. This program runs from the PowerBase data sets, which also drive the PROMOD analysis. The version of the PowerBase data used for the PROMOD analysis in this study was input to Marelli, and an analysis similar to the described previously was conducted.

### **Operating Impacts**

Relative to conventional generating resources, wind generation is more variable and unpredictable. The general objectives in the area of operating impacts are to assess the effects of these attributes on the operation of the power system in Minnesota and to quantify the costs related to their management.

Operation of the power system in the short-term can be broken down into two phases: Planning for the day or days to come, then operating the system in real time as load varies continuously through the hours and over its daily cycles.

For study participants, the start-up of the MISO wholesale energy markets has supplanted or modified the traditional practices by which these operating functions had been performed. The MISO Day-Ahead market is the framework against which generating units are committed for operation and scheduled. In real-time, the MISO Coordinated Reliability Dispatch and Control interacts with each of the control areas in the footprint on a nearly continuous basis to keep demand and supply in appropriate balance. Assessing the impacts of wind generation on the operation of the power system in Minnesota, then, must be done against this backdrop.

### *Hourly Analysis*

The analysis in this project segregates power system operations into two time frames – what happens inside the hour at time intervals as small as tens of seconds, and over multiple hours, days, out to a year. Hour-by-hour analysis is a common time interval for power system studies where it is necessary to evaluate a wide range of power system conditions and capture both daily and seasonal effects. MISO utilizes a computer tool

called PROMOD for this type of analysis. PROMOD contains representation of loads, transmission lines, and generating units. For the hourly load data provided as input, PROMOD determines the optimum plan for meeting the load while honoring constraints for the system (e.g. reserves, emissions, etc.) individual generating units, and the transmission network.

PROMOD can also be used to estimate locational marginal prices (LMP), since the cost functions and loading level of each generator in the optimized solution are known.

#### *Intra-Hourly Analysis*

The hour-by-hour simulation in PROMOD assumes that load, wind, and generation are “flat” for each hour. In reality, load (and wind) is continuously varying, and provisions must be made by system operators for adjustments so that demand and supply are closely matched at all times.

An approach that has been used in previous studies for estimating the impact of wind generation on requirements for regulation, load following, and other reserve impacts is based on analysis of high resolution chronological wind and load data sets. Various statistical metrics that quantify variability are first computed for the load data alone. Wind data is then combined with load data, and new metrics are calculated. The changes in these quantities are directly attributable to wind generation.

Assessing the costs of these inside-the hour impacts has been done in a variety of ways. Direct costs, for example, can be computed for incremental regulation capacity if there is a regulation market or capacity cost that can be identified. However, if the incremental requirements for the various operating reserves are brought into the hourly analysis, much of the cost impact, especially those that are associated with opportunity cost, are accrued. A good example would be where regulation and load following is performed with relatively inexpensive units. The capacity that must be held back to provide ancillary services cannot be used to serve load and generate revenue. There is, therefore, an “opportunity” cost that comes with providing ancillary services from these units. The hourly modeling will accrue these costs since other resources must be used to meet the load.

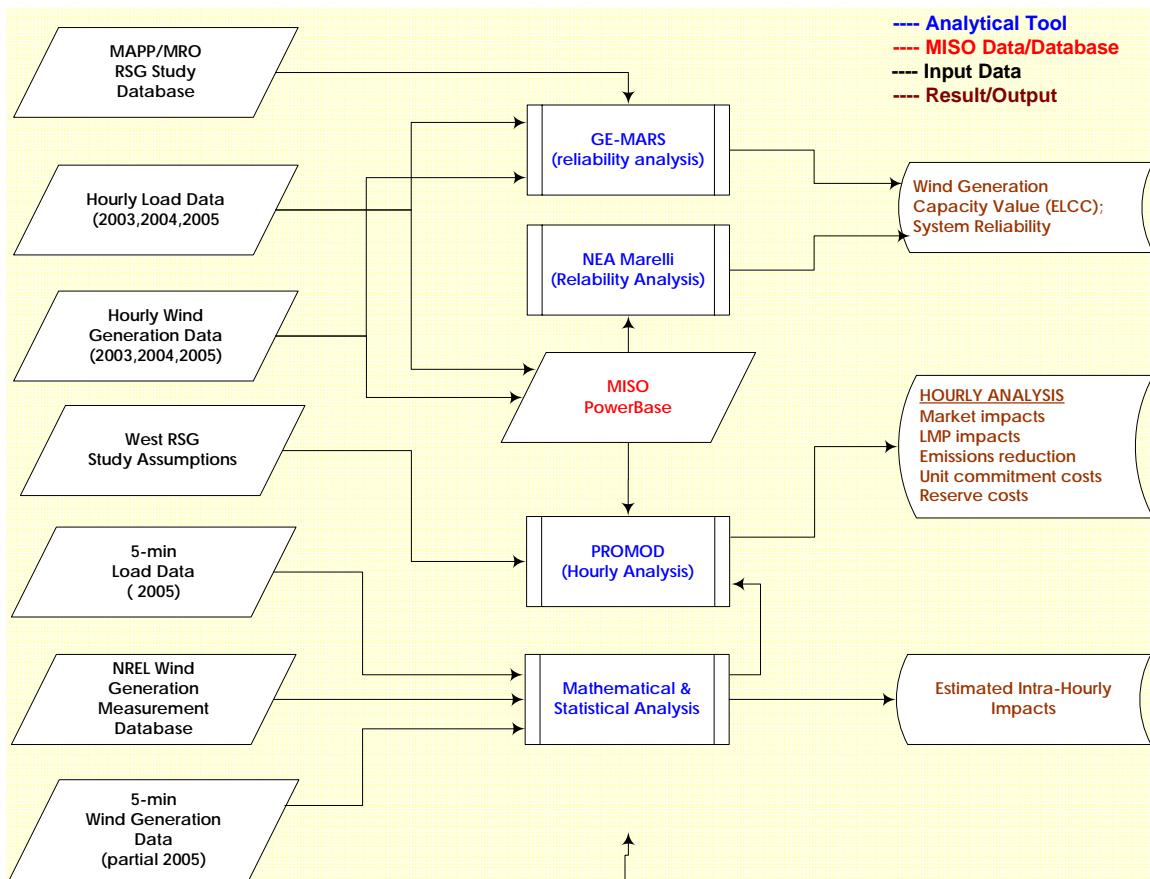


Figure 14: Flowchart for Technical Analysis

## STUDY DATA AND ASSUMPTIONS

The MISO market and reliability footprints are comprised of thousands of individual generating units, many tens of thousands of megawatts of load, and many thousands of miles of transmission lines at or above 115 kV. Given the influence of the MISO energy market on the daily operations of the Minnesota companies, along with the geographical expanse of the wind generation to be considered, computer models to simulate generation scheduling and operations across the state of Minnesota must also be large.

MISO maintains large databases and computer models of network, load, and generator information to conduct a variety of regional studies. Some of these models cover the entire Eastern Interconnection (roughly all of the U.S. power system east of the Rocky Mountains). Others limit the detail to all or parts of the MISO footprint, and are used for transmission expansion planning studies.

For purposes of this study, the smaller models which represent a portion of the MISO footprint are most appropriate considering the level of detail desired.

Transmission issues for wind generation are not within the scope of this study. However, transmission capacity has a direct influence on the function of the wholesale energy market, as transmission losses and congestion are responsible for the differences in prices across the market footprint. An existing MISO planning model for PROMOD was selected as the starting point for this study. Figure 15 illustrates the

scope of this West Regional Study Group (RSG) model created to encompass a number of separate transmission planning efforts so that they could be studied simultaneously.

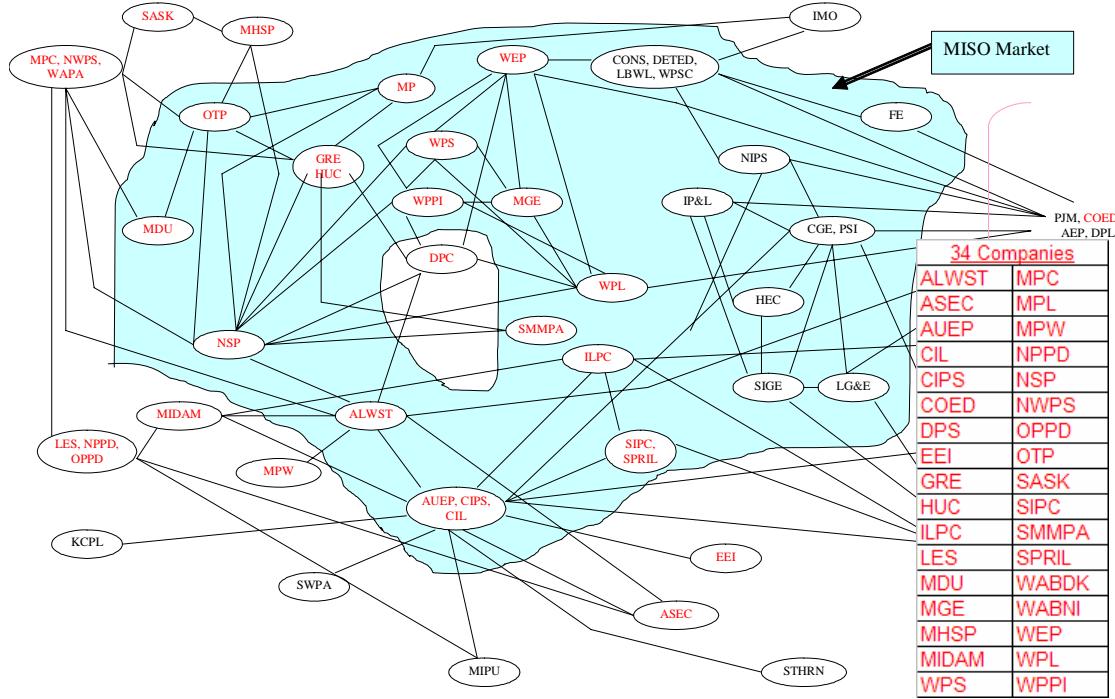


Figure 15: Overview of West RSG study PROMOD model, used as the basis for this study. Companies shown in red are represented in detail.

The transmission and non-wind generation expansion assumptions in the MISO West RSG model were used because this study is focused on the reliability and operating impacts of wind generation and is not intended to be a transmission plan or an integrated resource plan. The wind generation in the RSG model was removed and replaced with the wind scenarios developed for this study. The makeup of the West RSG PROMOD model and assumptions underlying it are detailed in Appendix A

The size and makeup of an individual control area has a significant influence on its ability to manage wind generation. Currently there are several major control areas, or Balancing Authorities (BAs), in the state of Minnesota. MISO is currently well underway with the development of an Ancillary Services Market which will result in consolidation of certain BA functions. This consolidation will decrease the aggregate amount of certain ancillary services.

Most of the transmission expansion in the model adapted for this study consists of additions to the existing EHV (extra high voltage, 345 kV or higher) network. The wind generation developed for the study is “injected” at EHV buses. This assumption is used by MISO in other studies where focus is on the larger picture, and bolstering of lower voltage transmission infrastructure is not part of the study scope. The underlying local and regional transmission infrastructure was not analyzed in this study

Because the study year is more than a decade into the future, and the move toward functional consolidation of Balancing Authorities is already underway, the Minnesota companies will be considered as a single BA for the study. This could actually be a conservative assumption if after consolidation of BA's in the MISO footprint the resulting regional BA is larger than Minnesota.

The PROMOD West RSG model, with the wind generation scenarios developed for this study, is used to represent the MISO energy market operations. It is assumed that this cost-based approach will adequately reflect the function of the day-ahead and real-time markets.

### Modeling Minnesota Electric Load in 2020

Table 8 documents the retail sales statistics upon which the Minnesota study is premised. The total retail sales for 2004 were 61,965 GWH. Assuming a 2.0% annual growth rate, retail sales in 2020 are projected to be 85,093 GWH.

Table 8: Minnesota retail sales by company for CY2004 and Total Retail Sales assumptions for study

	2004 MN Retail Sales in kWh <sup>1</sup>	Retail Sales Annual Growth Rate	Wind Percent Retail Sales	Wind Annual Capacity Factor	MN Retail Sales (GWh)	2004 <sup>1</sup>	2011	2020
Investor-Owned Utilities								
Xcel	30,559,280,490	49.3%			61,986	66,457	72,683	
MP	8,580,900,000	13.8%			2,653	2,845	3,111	
OTP	1,957,456,566	3.2%			4,043	4,335	4,741	
IPL	841,511,856	1.4%			3,538	3,793	4,149	
NWEC	524,992	0.0%			4,422	4,741	5,186	
TOTAL IOU	41,939,673,904	67.7%						
Cooperative Utilities								
GRE	10,408,968,000	16.8%			61,986	71,202	85,093	
Minnkota	1,808,326,904	2.9%			2,653	3,048	3,643	
Dairyland	737,462,789	1.2%			4,043	4,645	5,551	
Basin	751,736,085	1.2%			3,538	4,064	4,857	
TOTAL COOP	13,706,493,778	22.1%			4,422	5,080	6,071	
Municipal Utilities								
SMMPA	2,714,070,325	4.4%						
MRES	805,570,000	1.3%						
MMPA	2,302,721,000	3.7%						
CMMPA	516,974,120	0.8%						
TOTAL MUNI	6,339,335,445	10.2%						
TOTAL ALL	61,985,503,127	100.0%						

<sup>1</sup> July 1, 2003 to June 30, 2004 (MN DOC 1/15/05)

Table 9 shows the loads from the West RSG PROMOD case for 2020. The highlighted (in yellow) companies are those having significant Minnesota load. The aggregated load, however, for these companies is 142,177 GWH, well in excess of the study projections for 2020.

Table 9: Loads by Company from PROMOD West RSG case for 2020.

Company	Load (MWH)
ASEC	21195998
GRE	19677281
MDU	2807994
MPC	7048485
NWPS	1679993
OTP	6843984
WABDK	4445004
ALWST	19728132
AUEP	43335000
MHSP	24793994
SASK	20286020
DPC	6675034
HUC	408002
MPL	12674090
NSP	67017594
SMMP	2512775
LES	4328000
MIDAM	25180996
MPW	1133011
NPPD	14662941
OPPD	12225999
WABNI	16423007
COED	112141254
CIL	7101042
CIPS	20675055
EEI	4322030
ILPC	18021032
SIPC	2019994
SPRIL	2270002
MGE	4038000
WEP	37665970
WPL	16316931
WPPI	6069003
WPS	15090049

A simple algorithm for extracting the Minnesota load from the PROMOD was utilized. From the work scope, the aggregated retail sales of five entities – Xcel Energy, Minnesota Power, Ottertail Power , Great River Energy, and SMMPA comprise 87.5% of Minnesota retail electricity sales. And, from 2004 data provided by MISO, it can be computed that the Minnesota portion of the Xcel-NSP load comprises 67% of their company load in MISO. Adjusting for the out-of-Minnesota sales for Xcel Energy, the load for these five entities from the PROMOD results is 86610 GWH.

To account for the other Minnesota companies listed in the table from the statement of work but not explicitly accounted for in the extraction from the PROMOD results, the aggregate load for the five companies is divided by 87.5%, yielding an estimated Minnesota state load of 98,983 GWH.

The PROMOD load is not “retail sales” as it is comprised of the energy transported to high voltage delivery points (substations). Losses in the distribution system are estimated to be about 7%. Applying this factor to the PROMOD load to estimate “retail sales” at customer metering points yields estimated Minnesota retail sales of 92,054 GWH.

From information exchanged with MISO, it was confirmed that an average growth rate of 2.5% was assumed for scaling loads for the 2020 West RSG PROMOD case. The number above is almost identical to the 2004 Minnesota retail sales escalated at 2.5% annual growth to 2020. It appears, therefore, that the simple algorithm proposed does a good job in estimating Minnesota retail sales from the PROMOD data.

A consequence of the PROMOD loads in the 2020 West RSG case is that the wind generation data provided earlier amounts to slightly less than the target energy penetration levels due to slightly increased retail sales. After discussions, it was decided that the most straightforward way to compensate would be to increase the wind generation slightly. This was accomplished by increasing the installed capacity numbers by a factor equal to 92,054/86,610, or 1.063.

Correlated hourly wind generation and load data is a foundation for the hourly analysis in this study. Because wind generation and electric demand are both affected by the regional meteorology, it is important to preserve the correlations that might exist between these data sets. As previously described, chronological wind speed and generation data profiles were developed at five minute intervals for the historical years 2003, 2004, and 2005. To create the load data corresponding to these years, hourly load data from these years for the Minnesota companies was retrieved from archives and scaled per the discussion above to create load data for the study. CY2004 was selected as the “base” year in that it was modified to achieve the target annual retail electric sales. The ratio between the new peak hourly load for the 2020 data and the peak load for the historical 2004 load data was then applied to load data from 2003 and 2005.

### **Developing Wind Generation Data**

The basic approach for developing wind generation profiles is to apply a “power curve” from a commercial wind turbine to the wind speed values at each five-minute interval. With 152 observation points in the MM5 model and up to 6000 MW of wind generation potentially required in the model, each wind speed observation must represent more than a single turbine.

Appendix C describes the approach used for this study, which approximates spatial diversity, terrain, and turbine shadowing effects by adjusting raw wind speed values at high resolution before calculating power (Figure 16). Wind speed data at five-minute intervals over three consecutive calendar years across 152 separate locations across Minnesota and the eastern half of the Dakotas was processed to yield five-minute and hourly wind generation data for each of the scenarios.

In an earlier section and in the companion report, it was noted that net capacity factors were calculated by assuming a constant loss factor of 14%. The wind generation data calculated from the method described in the appendix makes no such assumption, as the effective plant power curve takes those factors which contribute to the losses into account.

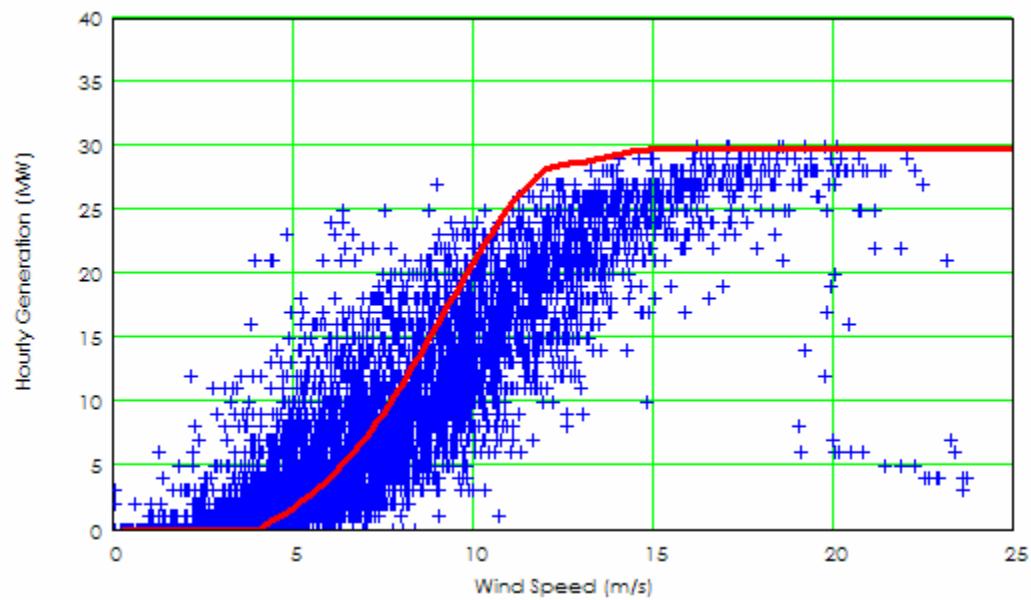


Figure 16: Single turbine versus “plant” power curves, from empirical data for 30 MW plant

For use in the hourly PROMOD model, it was necessary to identify the network buses into which the wind generation would be injected. As described previously, EHV buses were selected to avoid local transmission issues. Figure 17 illustrates 14 zones that were created to collect the wind energy. Information about each of these zones is found in Table 10.

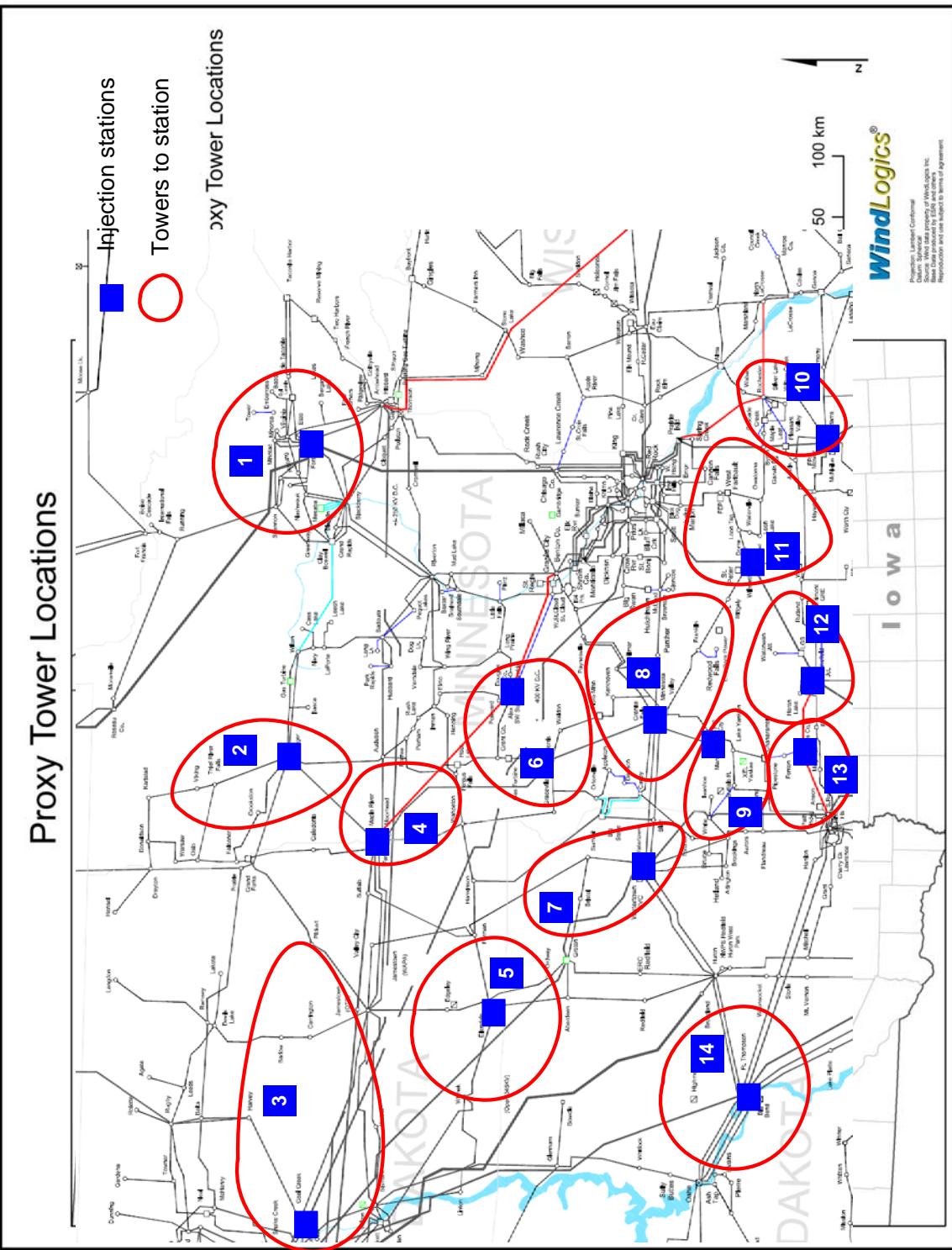


Figure 17: Wind generation regions and network injection buses

Table 10: Meteorological Tower Assignments by Region and Scenario

Area	Bus	Voltage	Towers	MW – 15%	MW – 20%	MW – 25%
1	Forbes	500 kV	79, 80, 81, 82, 83, 84, 85	200	280	289
2	Winger	230 kV	63, 64, 133, 134, 138, 142, 143	200	280	280
3	Leland	345 kV	113, 114, 115, 116, 117, 123, 124, 125	280	320	320
4	Maple River	345 kV	2, 3, 91, 92, 126, 140, 141	240	280	280
5	Ellendale	230 kV	111, 112, 118, 119, 120, 121, 122	261	261	280
6	Alexandria	345 kV	10, 13, 65, 68, 88, 89, 127, 146, 147, 148	280	400	400
7	Watertown	345 kV	98, 99, 100, 101, 102, 103, 104, 105, 106, 109, 110	0	200	440
8	Granite Falls	345 kV	75, 78, 128, 129, 131, 135, 136, 137, 145, 150	360	400	400
9	Lyon County	345 kV	21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 50, 51, 52, 53, 54, 55, 67, 68, 69, 70, 71, 72, 73, 74, 93, 94, 95, 96, 97	607	767	1364
10	Adams	345 kV	38, 39, 40, 41, 42, 43, 44, 45, 139, 151	364	404	404
11	Willmarth	345 kV	8, 9, 11, 12, 86, 87, 130, 132, 144, 149, 152	283	443	443
12	Lakefield Jct.	345 kV	1, 4, 5, 6, 7, 14, 15, 16, 17, 18, 19, 20, 36, 37, 90	432	552	600
13	Nobles Co.	345 kV	46, 47, 48, 49, 56, 57, 58, 59, 60, 61, 62, 76, 77	127	207	520
14	Ft. Thompson	230 kV	107, 108	40	80	80
Total				3674	4874	6091

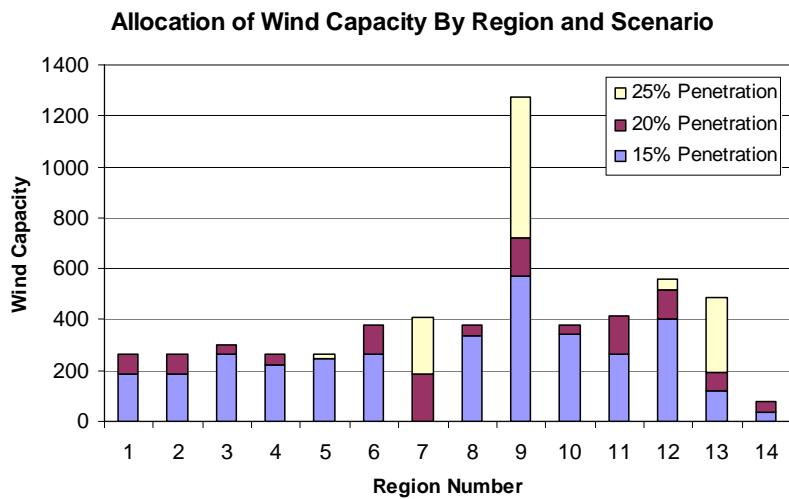


Figure 18: Installed wind generation capacity by region and scenario

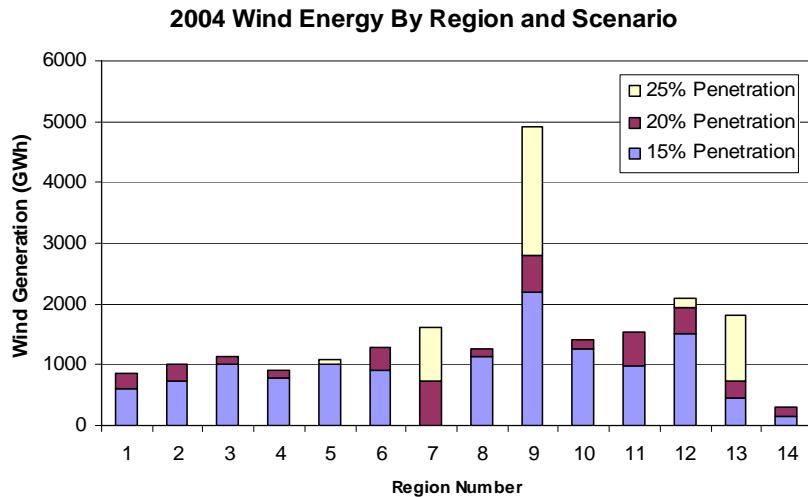


Figure 19: Wind energy production by region and scenario.

Table 11: Installed Capacity by Region and Penetration Scenario

Adjusted Assignments of 2004 Wind Scenario Rationalized With MN 2004 Load Escalated to 2020															
Region	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	Region 7	Region 8	Region 9	Region 10	Region 11	Region 12	Region 13	Region 14	Total
2004 15%	187	187	262	225	244	262	0	337	569	341	265	405	119	37	<b>3441</b>
2004 20%	263	263	301	263	245	376	188	376	721	380	417	519	195	75	<b>4582</b>
2004 25%	262	262	299	262	262	374	411	374	1274	377	414	560	486	75	<b>5689</b>

Table 12: Adjustment of Wind Generation Model to Achieve Study Target Penetrations

Target Energy Penetration	Derived Scale Factor	Wind Energy (GWh)	Actual Penetration (Energy)
15%	0.937	12715	14.97%
20%	0.940	16953	19.96%
25%	0.934	21192	24.95%
Target Retail Sales of 84922 GWh (based on 2004 adjusted 4 BA Loads)			

Table 13: Characteristics of Wind Generation Model – Capacity Factor by Season & Region

	Regions					
	Dakotas	Buffalo Ridge	Central Minnesota	North Minnesota	South Minnesota	Total
Winter	38.7%	43.9%	35.8%	32.7%	40.3%	39.2%
Spring	39.2%	43.3%	42.3%	40.6%	42.4%	42.1%
Summer	36.7%	40.1%	36.5%	38.8%	35.0%	37.8%
Autumn	45.8%	54.9%	48.2%	46.3%	51.1%	50.9%
Year	40.1%	45.6%	40.7%	39.6%	42.2%	42.7%

## ESTIMATING RESERVE AND OTHER OPERATIONAL REQUIREMENTS

Consideration of the controllable resources required to balance the control area and maintain security in PROMOD is handled by the “total operating reserve” setting for the balancing authority. The program will assure that this amount of capacity is available each hour and is not being used to serve load. This has the effect of extending the resource “stack”, and likely commits some more expensive resources.

For the MN balancing authority considered in this study, there are several categories of reserves:

- **Regulating** – capacity that can be adjusted up or down to maintain balance between control area demand and supply.
- **Spinning** – The extra amount of on-line generation capacity that must be carried to cover the largest contingency in the reserve sharing pool.
- **Non-Spinning** – an additional amount of generation that can be brought on-line in a short period of time to cover the largest contingency.
- **Load Following** – Capacity that can be adjusted up or down to follow the trend in the control area demand. This capacity will be economically dispatched at frequent intervals, and may include both generation participating in the MISO real-time market as well as regulating reserves.

The baseline MISO assumption of 5% total operating reserves is larger than can be accounted for by summing the categories listed above. In the context of significant wind generation, this will include an amount of capacity to cover deviations from forecast conditions in the coming hour or hours. Such deviations would result from errors in short-term hourly load forecasts, for example. With significant amounts of wind generation in the control area, these additional reserves would be carried by operators to cover drops in wind generation over the next hour with respect to a persistence forecast.

### **Regulating Reserves**

Control area regulation is a capacity function. Compensation for load changes or deviations over very short time frames (tens of seconds to minutes) is provided by units capable of the necessary response rates and operating on Automatic Generation Control (AGC). As the size of a balancing authority increases, the regulation requirement as a fraction of the peak load generally declines. Such a relationship is depicted in Figure 20. This graph is based on conversations with operations personnel from MISO.

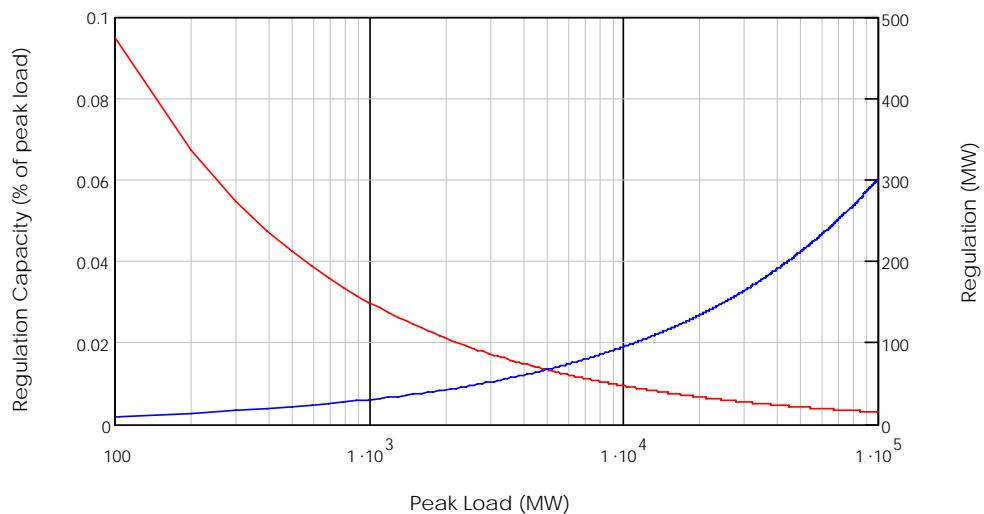


Figure 20: Approximate regulating requirements for a Balancing Authority as a function of peak demand.

Using the relationship from Figure 20, regulation requirements for the existing Minnesota balancing authorities and the combined balancing authority in 2020 can be estimated. These are shown in Table 14. The effect of balancing authority functional consolidation is quite pronounced with regard to regulation requirements.

Table 14: Estimated Regulating Requirements for Individual MN Balancing Authorities and Aggregate

Balancing Authority	Peak Load	Regulating Requirement (from chart)	Regulating Requirement (% of peak)
GRE	3443 MW	56 MW	1.617%
MP	2564 MW	48 MW	1.874%
NSP	12091 MW	104 MW	0.863%
OTP	2886 MW	51 MW	1.766%
Sum of Regulating Capacity		<b>259 MW</b>	
Combined	20984 MW	<b>137 MW</b>	<b>0.655%</b>

Fast changes in wind generation can increase the amount of regulation capacity required. Many previous studies have shown this impact to be quite modest, especially where the number of individual wind turbines relative to the system peak load is very high. The National Renewable Energy Laboratory (NREL) has been collecting high resolution data from operating wind plants for a number of years. Extensive analysis has been performed on this data that has contributed to the understanding of wind plant production variations on all operating time frames. Using the NREL measurement data, output fluctuations on the regulation time frame from a large wind plant are shown to be less than one or two percent of the plant nameplate rating (Figure 21).

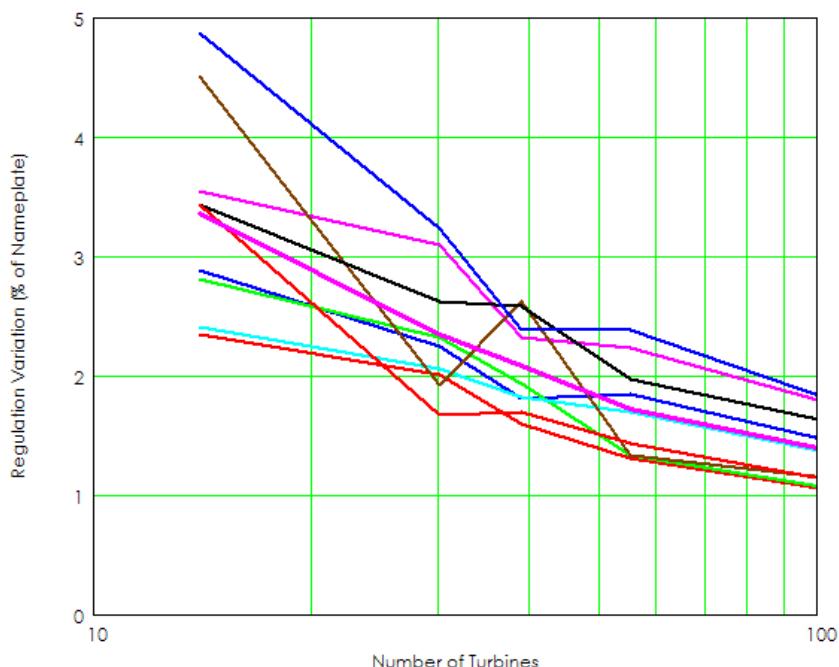


Figure 21: Variation of the standard deviation of the regulation characteristic for each of nine sample days by number of turbines comprising measurement group.

Using a conservative estimate of 2 MW for each 100 MW of wind generation in the scenarios for this study, the regulation requirement for the combined MN balancing authority with the prescribed amounts of wind generation can be computed. By assuming that the regulation variations between each wind plant and the load are uncorrelated, the regulation requirement for the load and wind combination is computed with the following formula:

$$\text{New_Regulating_Requirement} := k \sqrt{\sigma_{\text{Load}}^2 + N \cdot (\sigma_{w100})^2}$$

Where

- $k$  = a factor relating regulation capacity requirement to the standard deviation of the regulation variations; assumed to be 5
- $\sigma_{\text{Load}}$  = standard deviation of regulation variations from the load
- $\sigma_{w100}$  = standard deviation of the regulation variations from a 100 MW wind plant
- $N$  = wind generation capacity in the scenario divided by 100

Results of this computation for the three wind generation scenarios are shown in Table 15.

Table 15: Estimated Regulation Requirement for MN Balancing Authority in 2020

Scenario	Regulation Capacity Requirement
Base	137 MW
15% Wind Generation	149 MW
20% Wind Generation	153 MW
25% Wind Generation	157 MW

### Contingency Reserves

The present reserve obligation for the Minnesota balancing authorities and companies is defined by the rules of the MAPP Generation Reserve Sharing Pool. The largest contingency which defines the pool's reserve requirement is the loss of 1500 MW important from Manitoba on a 500 kV transmission line.

In the scenario defined for the study, the reserve obligation of the Minnesota utilities is projected to remain unchanged because:

- Loss of the Manitoba import is still assumed to be the largest single contingency
- The share of load in the reserve sharing pool, and the end-use load obligation (EULO) ratio of the Minnesota utilities to the larger pool is also assumed to remain the same.

Consequently, the Minnesota balancing authority would be required to carry 660 MW of reserve, of which 330 MW is spinning and 330 MW is quick-start.

*Note: After this study was well underway, the consolidation of the MAPP Generation Reserve Sharing Pool into a new, larger entity that largely encompasses the MISO Reliability Footprint was announced. The Midwest Contingency Reserve Sharing Group filed its participation agreement with the Federal Energy Regulatory commission in the fall of 2006. Beginning January 1, 2007, the Midwest contingency Reserve Sharing Group is scheduled to commence operations and is anticipated to reduce the contingency reserve obligation of the Minnesota utilities.*

### **Load Following**

Within the hour, enough generation must be available to compensate for the underlying trends in the load beyond the fast regulation time frame. In MISO, load trends are accommodated by a combination of the real-time market and regulation capability. Either response cannot be directly considered in the PROMOD hourly analysis. Therefore, no distinction will be made, and the effects of wind generation will be gauged from analysis of load and wind time series data alone.

Figure 22 through Figure 24 depict the distributions of absolute changes over a five-minute interval for load and load net wind generation. The effect of wind generation on these changes is relatively modest, owing to the significant geographic diversity present in the wind scenarios.

Additional amounts of generic reserve can be estimated as some multiple of the standard deviations. As shown in Table 16, two standard deviations, which would encompass over 95% of all variations in the sample, was assumed. This assumption is consistent with operational practice for power systems. The metric by which control over periods of ten minutes is judged, CPS2 (Control Performance Standard 2) requires that the difference between load and generation over a ten-minute period must be smaller than a specified limit for 90% or more of the ten-minute intervals over the month. Consequently, not all deviations in the control area demand are fully compensated, as CPS2 scores for existing control areas vary across the range from 90 to 100%.

Table 16: Summary of Five-minute Variability

Scenario	Standard Deviation of 5-minute changes
Base	50 MW
15% Wind Generation	55 MW
20% Wind Generation	57 MW
25% Wind Generation	62 MW

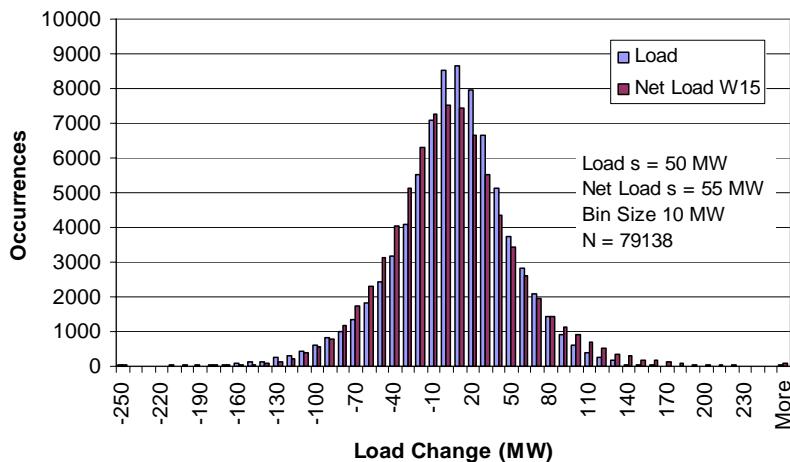


Figure 22: Five-minute variability – 15% wind generation

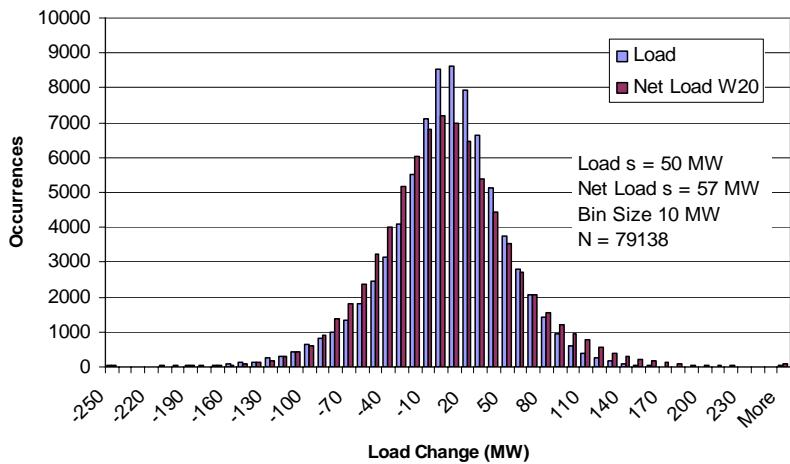


Figure 23: Five-minute variability – 20% wind generation

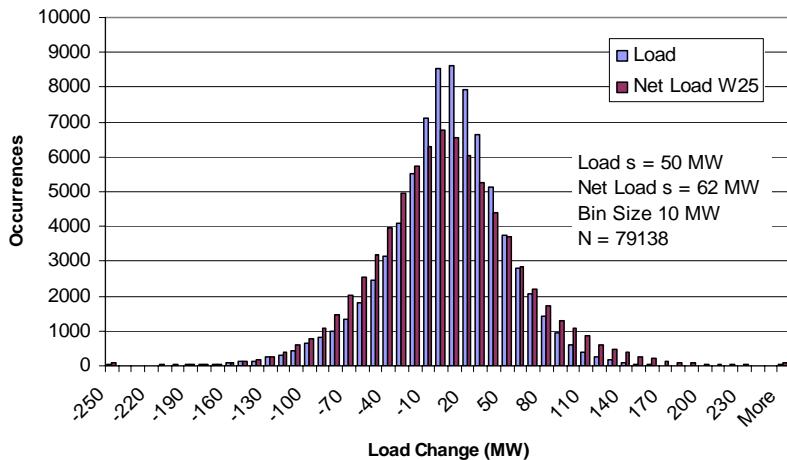


Figure 24: Five-minute variability – 25% wind generation

### Operating Reserve “Margin”

The size and geographic diversity of the wind generation scenarios constructed for the study move the significant variability and uncertainty related to wind generation out to time frames ranging from one to several hours. Table 17 illustrates the standard deviation of the next-hour wind generation from a persistence forecast, which is a likely method for forecasting over such time frames. Distributions of next-hour errors from a persistence forecast are shown in Figure 25 through Figure 27.

The general response operationally to increased uncertainty in forward time frames is to carry additional reserves. How specifically this would be done in some optimal fashion for wind generation is not yet known. Some control area operators pad their reserves by an amount proportional to what they consider the next hour uncertainty due to load forecast to be. Within this MISO centralized dispatch structure, it is not clear how a large state-wide balancing authority would cover unexpected deviations (especially reductions) in wind generation. However, because of the size and diversity of the wind generation scenarios, nearly all of the significant impacts on variability and operational uncertainty are outside of the hour. Therefore, an operating reserve margin to cover unpredictable changes in wind generation from hour to hour is a conservative, yet reasonable approximation. For purposes of this study, additional reserve in the amount of two times the standard deviation will be assumed.

Table 17: Next-hour Deviation from Persistence Forecast by Wind Generation Scenario

Scenario	Standard Deviation of 1-hour Wind Generation Change
15% Wind Generation	155 MW
20% Wind Generation	204 MW
25% Wind Generation	269 MW

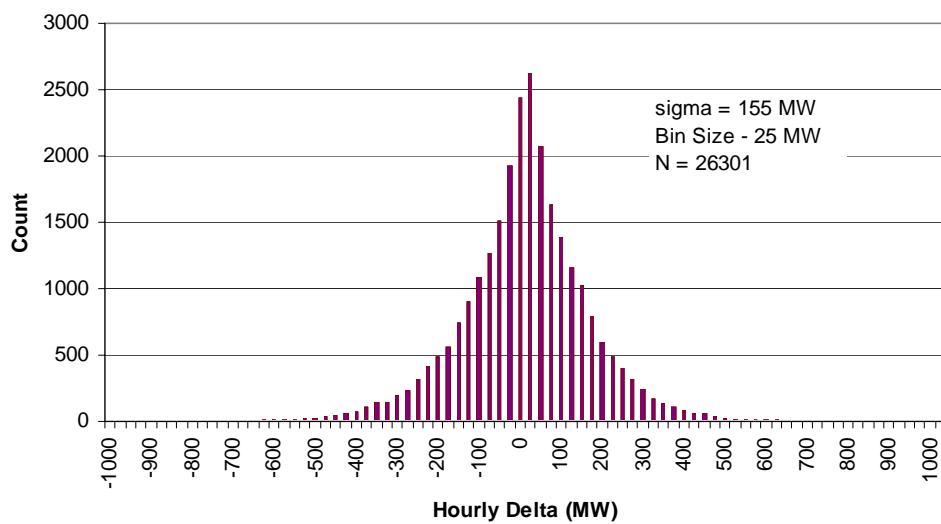


Figure 25: Next-hour deviation from persistence forecast – 15% wind generation

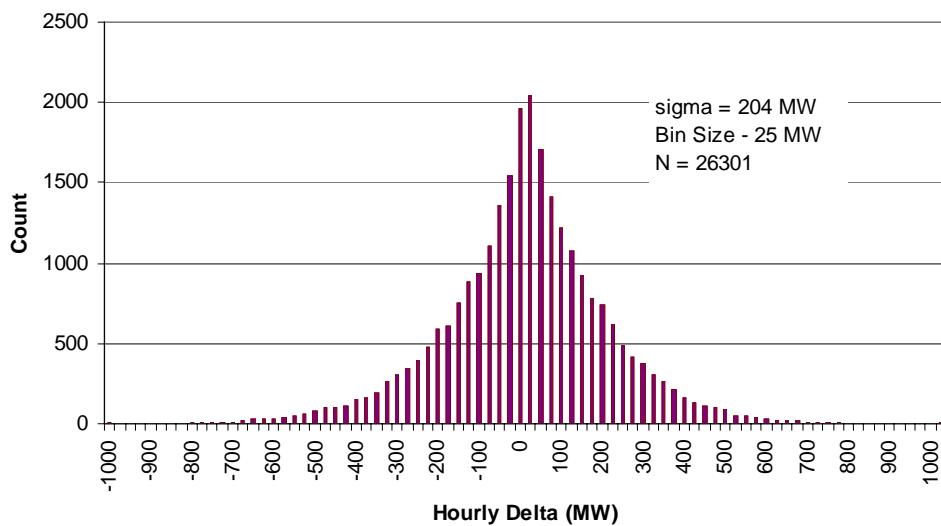


Figure 26: Next-hour deviation from persistence forecast – 20% wind generation

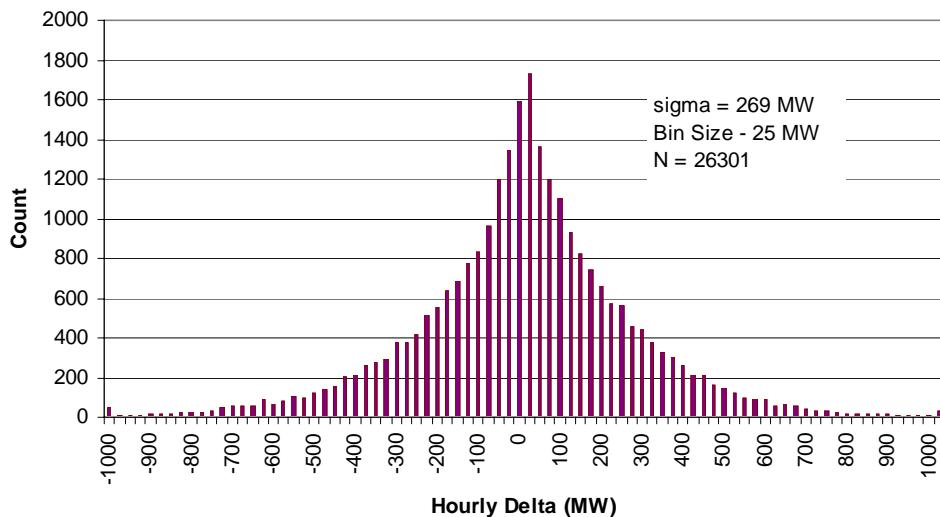


Figure 27: Next-hour deviation from persistence forecast – 25% wind generation

Analysis of the load and wind generation time series data reveals that the significant effects of wind generation on the operation of the Minnesota Balancing Authority are actually outside the hour, i.e. there are only modest impacts on time frames associated with regulation or the real-time market. Consequently, the additional amounts of reserve capacity for these services would also be modest.

Based on the assumptions discussed with the TRC, the spinning and non-spinning reserve requirements for the Minnesota balancing authorities and companies would not be affected by the presumed consolidation into a single balancing authority.

Covering unanticipated changes in wind generation over periods of an hour or more appears to be the area where wind generation would have the largest impact. By considering some additional amount of reserves to cover this uncertainty, and factoring in the incremental requirements from the other categories, the “Total Operating Reserve” criteria for the PROMOD studies can be developed for the three wind generations scenarios. These estimates, in MW and as a percentage of the balancing authority peak load, are shown in Table 18.

## Discussion

The need for additional reserves beyond those identified for regulation and load following was discussed extensively with the TRC.

A plan for the PROMOD cases was developed to assess the degree to which reserve assumptions would affect integration costs. Cases for the 5% operating reserves roughly correspond to the situation where the “operating reserve margin” from Table 18 is zero for all wind generation scenarios (due to the fact that wind generation has only minor impacts on the within-the hour reserves from the data analysis). Three new cases for the base year of 2004 and each wind generation penetration level were run with the total operating reserves as specified in Table 18. Sensitivity cases were run around each of these three new cases where the reserve requirement 1% higher and 1% lower than the value from the table to assess the cost sensitivity to operating reserve assumptions. This sensitivity is discussed later in the report.

Table 18: Estimated Operating Reserve Requirement for MN Balancing Authority – 2020 Load

Reserve Category	Base		15% Wind		20% Wind		25% Wind	
	MW	%	MW	%	MW	%	MW	%
Regulating	137	0.65%	149	0.71%	153	0.73%	157	0.75%
Spinning	330	1.57%	330	1.57%	330	1.57%	330	1.57%
Non-Spin	330	1.57%	330	1.57%	330	1.57%	330	1.57%
Load Following	100	0.48%	110	0.52%	114	0.54%	124	0.59%
Operating Reserve Margin	152	0.73%	310	1.48%	408	1.94%	538	2.56%
<b>Total Operating Reserves</b>	<b>1049</b>	<b>5.00%</b>	<b>1229</b>	<b>5.86%</b>	<b>1335</b>	<b>6.36%</b>	<b>1479</b>	<b>7.05%</b>

Notes on Table:

- Assumes 2020 MN Balancing Authority peak load of 20984 MW
- Requirements for load following and reserve margin based on two standard deviations of the five-minute variability and next hour forecast error, respectively.

## MODELING TIME-VARYING RESERVE REQUIREMENTS IN PROMOD

PROMOD is generally capable of modeling only a constant operating reserve level for a single case. New Energy Associates provided guidance on a work-around for varying the operating reserves by hour.

A variable operating reserve level is created by introducing a fictitious generating resource that is dedicated to serving a fictitious load. The available capacity on the resource is counted toward the total operating reserves in the balancing area of interest. By varying the load served by the fictitious resource, the available capacity and hence the reserve contribution can be varied by the profile of the fictitious load.

Wind generation data for each scenario was analyzed to characterize the variability over one hour. Figure 28 shows plots of the wind generation changes over a single hour for each scenario. Of interest is the revelation that the maximum variability does not occur at maximum generation, but rather in the mid-range of the aggregate production curve.

Standard deviations for each quintile of production were computed for the samples above, and are documented in Table 19. To facilitate modeling a time-varying reserve profile, quadratic approximations to the empirical curves were developed (Figure 29). With these quadratic expressions, an hourly profile for this operating reserve margin was developed for PROMOD from the hourly wind generation data.

The time-varying reserve profile is illustrated in Figure 30 for six weeks of hourly data. The statistics of the varying reserve profile used in this study are documented in Table 20. The average value over the year is smaller than the “fixed reserve” assumption, although there are hours where there is much more reserve being carried, as evidenced by the peak values.

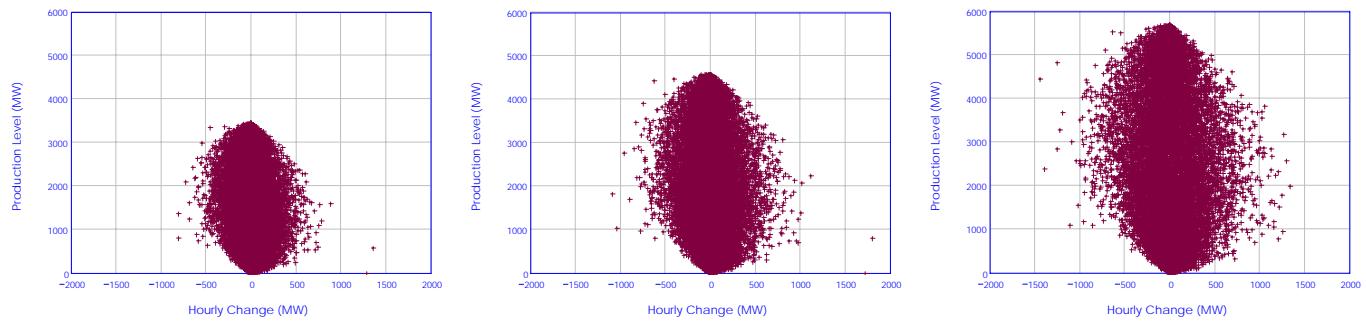
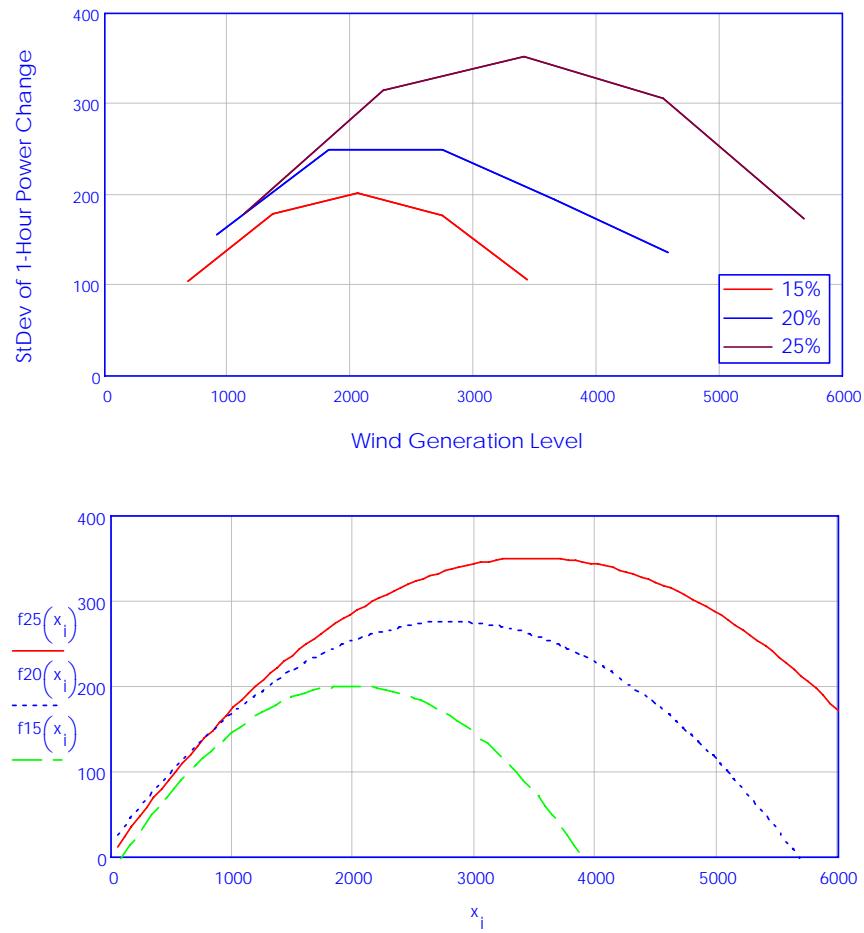


Figure 28: Hourly wind generation changes as functions of production level. 15% (left); 20% (middle); 25% (right)

Table 19: Standard Deviation of One-Hour Production Changes by Generation Level

Production Level	One Standard Deviation of 1-Hour Power Change					
	15% Wind (3441 MW)		20% Wind (4582 MW)		25% Wind (5689 MW)	
	MW	%	MW	%	MW	%
0 – 20%	103	2.88%	155	3.38%	177	3.11%
20% - 40%	178	5.11%	249	5.43%	314	5.52%
40% - 60%	201	5.84%	249	5.43%	352	6.19%
60% - 80%	176	5.11%	194	4.23%	306	5.38%
80% - 100%	105	3.05%	135	2.95%	173	3.04%
Average	156	4.53%	205	4.47%	269	4.73%



$$f_{15}(x) := 200 - \frac{(x - 2000)^2}{18000}$$

$$f_{20}(x) := 275 - \frac{(x - 2800)^2}{30000}$$

$$f_{25}(x) := 350 - 1 \frac{(x - 3500)^2}{35000}$$

Figure 29: Empirical next-hour wind variability curves (top) and quadratic approximation (middle). Vertical axis quantity on charts is standard deviation.

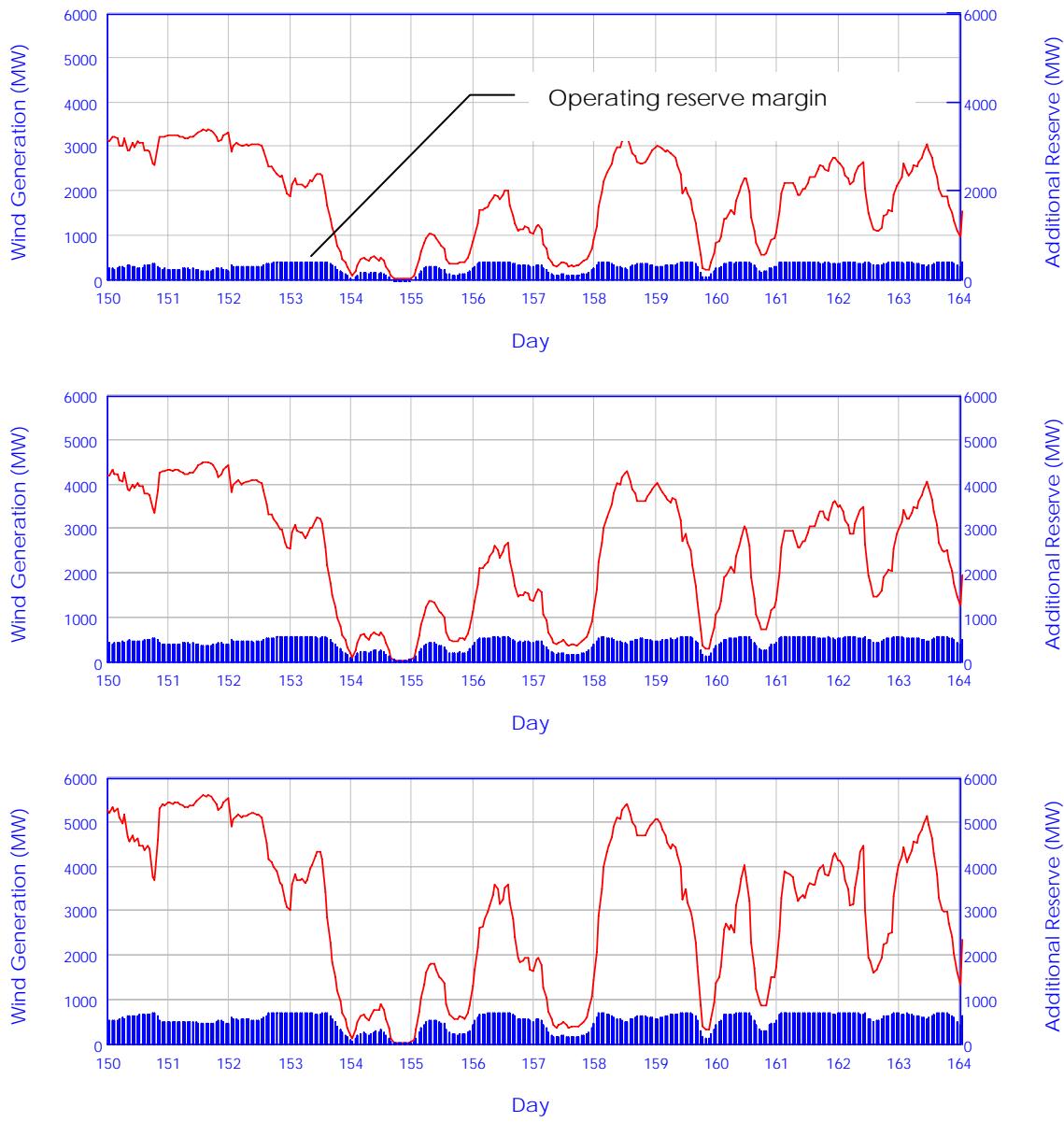


Figure 30: Illustration of time varying “operating reserve margin” developed from statistical analysis of hourly wind generation variations.

Table 20: Characteristics of Additional Variable Reserve

Characteristic	Additional Variable Reserve					
	15% Wind (3441 MW)		20% Wind (4582 MW)		25% Wind (5689 MW)	
	MW	% of System Peak	MW	% of System Peak	MW	% of System Peak
Mean	259	1.23%	384	1.83%	473	2.25%
Maximum	400	1.91%	550	2.62%	700	3.34%

## Section 4

### RELIABILITY IMPACTS

---

The goal of the reliability analysis is to determine the capacity value of wind generation at each penetration level. The reliability impacts scope from the statement of work for the project is as follows:

Evaluate the reliability impacts of the wind generation in the planning horizon (seasonal and annual, for three years):

- Determine the impact of the wind generation on regional reliability (Loss of Load Probability) and reserve capacity obligations.
- Determine the capacity value of the wind generators by calculating their *effective load carrying capability* (ELCC) to measure the wind plant's capacity contributions based on its influence on overall system reliability; review and discuss inter-annual variations in ELCC; evaluate simplified methods of approximating ELCC.
- Compare results to the existing MAPP guidelines for establishing capability ratings for variable capacity generation and develop recommendations for improvements to the guidelines. *Model and Input Data:*

*It is anticipated that reliability impacts analysis can be developed from the GE Multi-Area Reliability Simulation (MARS) program and the associated database developed for the recent MAPP Reserve Capacity Obligation Review with both thermal and hydro resources included.*

The base model for this study was adapted from the West RSG generation and transmission expansion assumptions. The new conventional generating capacity is shown in Figure 31.

The West RSG case focuses on a 2011 study year, so the assumed loads for this study are higher.

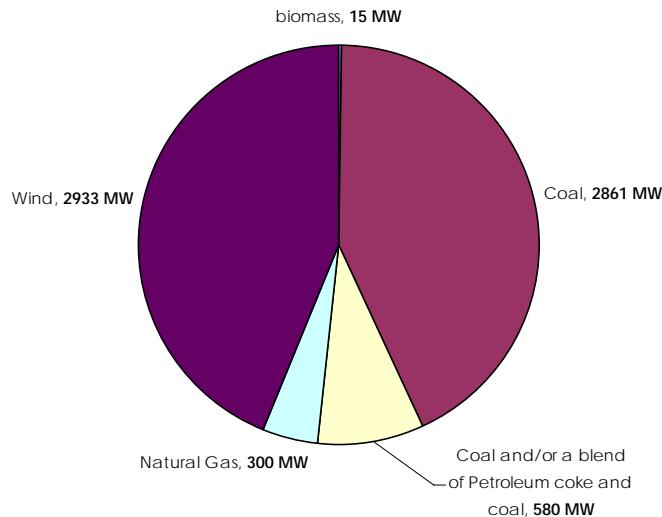


Figure 31: New conventional generation in West RSG expansion plan

An initial assessment of wind energy production during the highest system load hours is presented in Figure 32. Three years of wind and load data (2003, 2004, and 2005) are sorted in descending order by load. Wind generation for the highest load hours is then summed, and the capacity factor for that number of hours is computed as an estimate of the contribution to system reliability.

An initial assessment of the capacity value of wind generation can be made with chronological wind and load data only. High load hours generally represent times when the system could be at risk of not having sufficient generation to meet demand. While these peak load hours may not represent the only times when the system is “at risk”, they are the major considerations for capacity planning studies.

Focusing only on the peak hours ignores the characteristics of the conventional generation portfolio, and assumes that load level is the only indicator of system reliability risk. It is, however, much less intensive in terms of data and computing time, and has been shown to provide an indication of the relative capacity contribution of wind generation in a particular system context.

The mathematical procedure is straightforward:

1. Construct a  $2 \times 8760$  matrix, where the first column is hourly load and the second is hourly wind generation.
2. Sort the matrix of hourly load and wind generation pairs by the hourly load value, in descending order.
3. Calculate the wind energy delivery for the  $x$  highest load hours
4. Divide the wind energy delivered over those hours by the maximum that could have been delivered (installed capacity times number of hours)
5. Plot the results for various values of  $x$ .

Results of this procedure for each wind generation and load pattern year are shown in Figure 32.

## **GE-MARS ANALYSIS**

The data set developed for the most recent MAPP Reserve Capacity Obligation (RCO) review was updated to reflect the assumptions for this study. The new generation capacity per Figure 31 was added, using forced outage data from similar units already in the data set. Hourly loads in the Minnesota area were replaced by those developed for this study. Loads in other areas were scaled by the same factor used to develop the 2020 loads for Minnesota.

Wind is treated as a load modifier. This involves running two separate cases – one with load alone (no wind), and the other with the hourly loads net of wind generation. All three sets of wind and load patterns corresponding to calendar years 2003, 2004, and 2005 were used.

A significant amount of new capacity in the Minnesota area was required to bring the reliability level to the target 1 day in 10 years for the no wind case. This shows that the baseline generation expansion assumptions for the study would not provide adequate reliability for projected 2020 loads.

### **Results**

Results of the GE-MARS simulations are presented in Figure 33 through Figure 35 and Table 21 through Table 23.

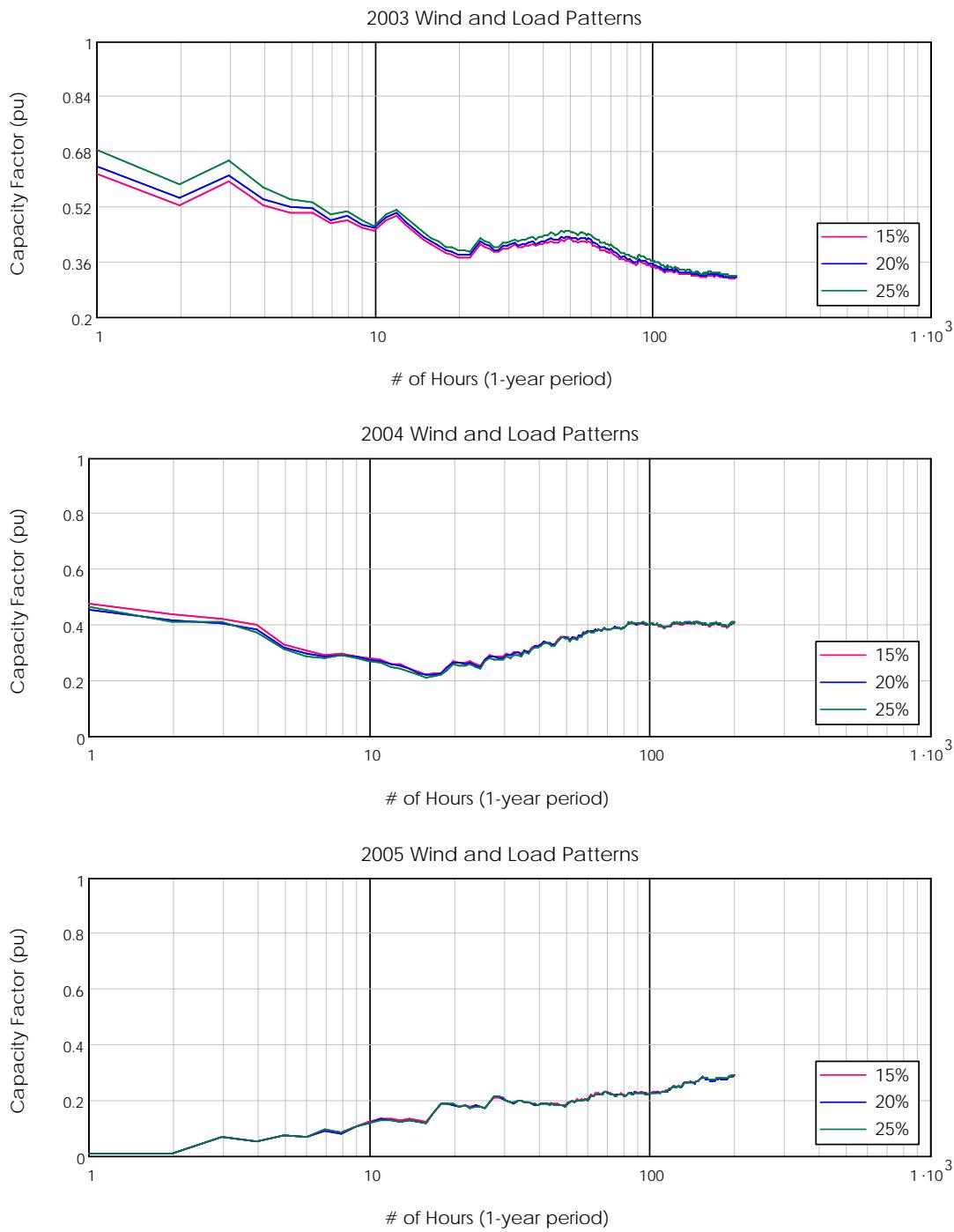


Figure 32: Wind generation capacity factor for varying number of highest load hours. (2003, 2004, and 2005 wind and load patterns)

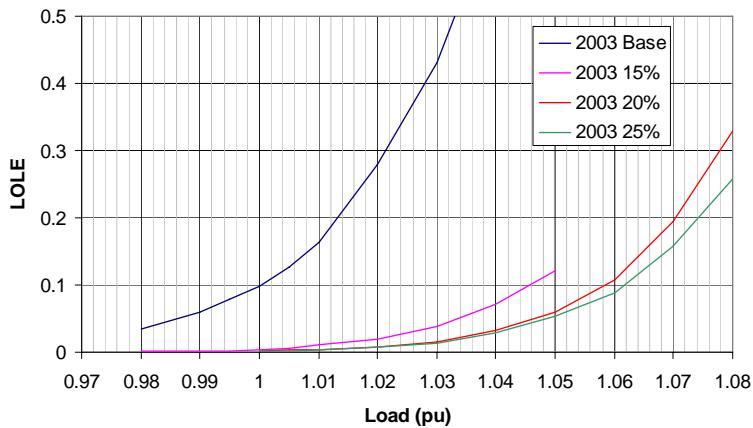


Figure 33: LOLE for Minnesota Area based on 2003 load and wind patterns

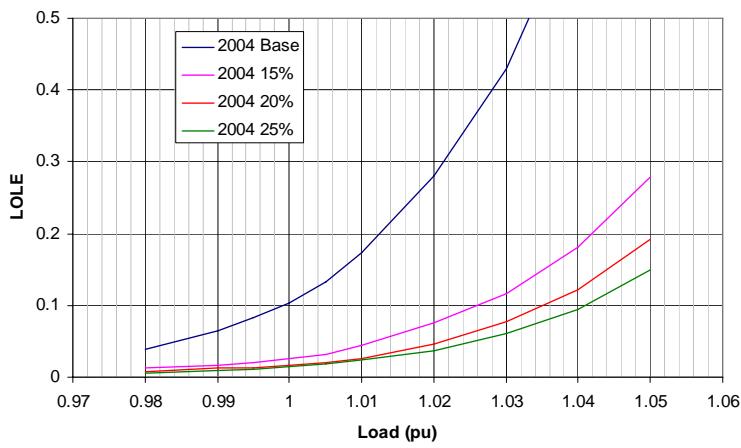


Figure 34: LOLE for Minnesota Area based on 2004 load and wind patterns

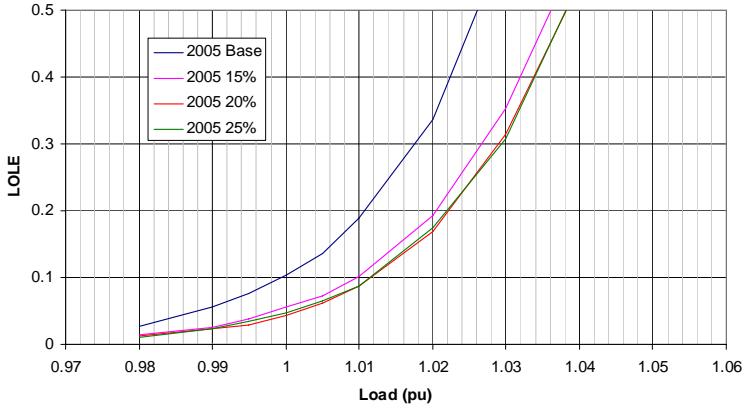


Figure 35: LOLE for Minnesota Area based on 2005 load and wind patterns

Table 21: ELCC Results for 2003 Wind and Load Patterns

Wind Penetration	ELCC (pu)	Peak Load (MW)	ELCC (MW)	Wind (MW)	ELCC (%)
15%	0.046	15630	719	3441	20.9%
20%	0.059	15630	922	4582	20.1%
25%	0.062	15630	969	5688	17.0%

Table 22: ELCC Results for 2004 Wind and Load Patterns

Wind Penetration	ELCC (pu)	Peak Load (MW)	ELCC (MW)	Wind (MW)	ELCC (%)
15%	0.026	15630	406	3441	11.8%
20%	0.035	15630	547	4582	11.9%
25%	0.041	15630	641	5688	11.3%

Table 23: ELCC Results for 2005 Wind and Load Patterns

Wind Penetration	ELCC (pu)	Peak Load (MW)	ELCC (MW)	Wind (MW)	ELCC (%)
15%	0.01	15630	156	3441	4.5%
20%	0.015	15630	234	4582	5.1%
25%	0.015	15630	234	5688	4.1%

## Discussion

Variation in ELCC between years is maybe the most surprising aspect of the results. Both load and wind patterns vary by year, and correspond to the meteorological conditions for those years. Results for calendar year 2003 wind and load patterns is in the range of what might have been expected from those who have been engaged in the wind capacity value discussion. In the other years, it is significantly lower.

The trend in the ELCC by year is consistent with what was found from the analysis of wind and load data only, in that 2003 shows the best correlation between wind production during the highest load hours, with 2005 exhibiting the poorest correlation. This is evident from the capacity factor over the highest load hours as shown in Figure 32. Examining hourly wind energy delivery for the highest load hours of each calendar year (Figure 36), rather than cumulative production as in Figure 32 provides an even better view. It is apparent from the plots that wind production was much lower during the highest load hours in 2005, especially in the highest 40 hours. In 2003, on the

other hand, there was significant generation during those same hours, with 2004 somewhere between.

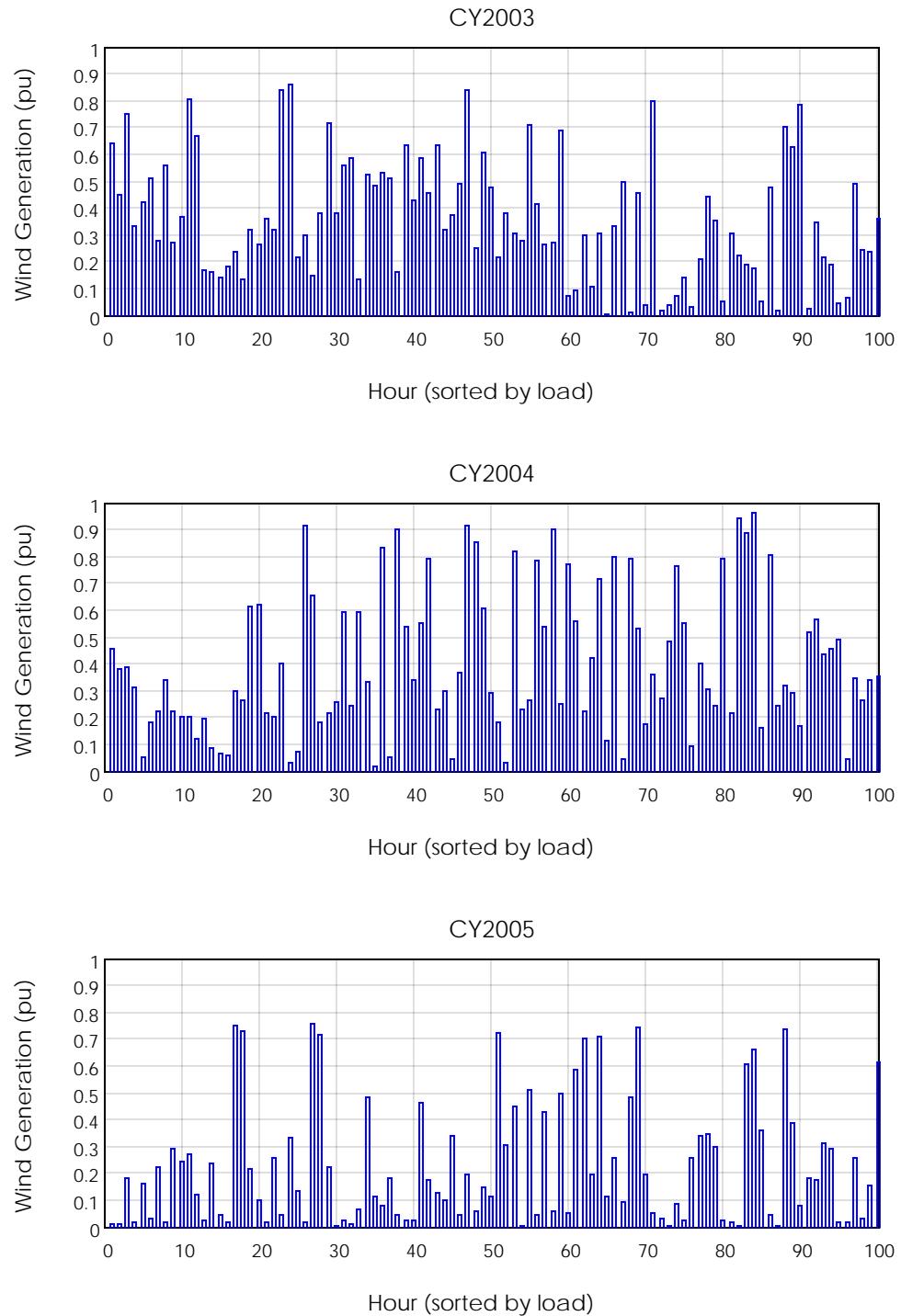


Figure 36: Hourly wind production for highest 100 load hours of year (20% scenario)

## RESULTS FROM MARELLI

Marelli runs performed by MISO also show that the new capacity in the West RSG assumptions is not sufficient for the 2020 loads developed for this study. The same observation was made during the MARS analysis, but in those cases additional capacity was added to the Minnesota area to bring the reliability without wind generation to the target level. No such modification was made to the data for the initial Marelli analysis.

Results from the initial Marelli cases are shown graphically in Figure 37 through Figure 39.

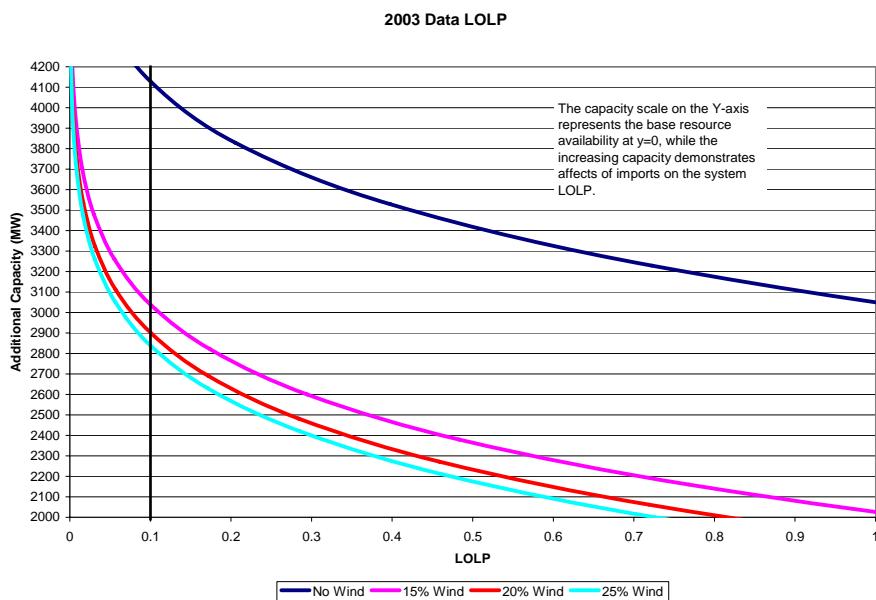


Figure 37: LOLH (Loss of Load Hours) from Marelli analysis for 2003 wind and load patterns

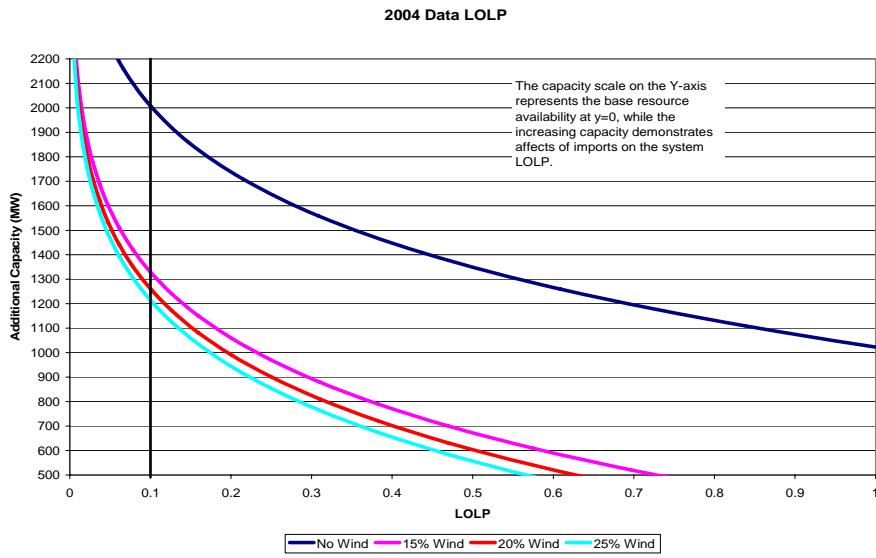


Figure 38: LOLH (Loss of Load Hours) from Marelli analysis for 2004 wind and load patterns

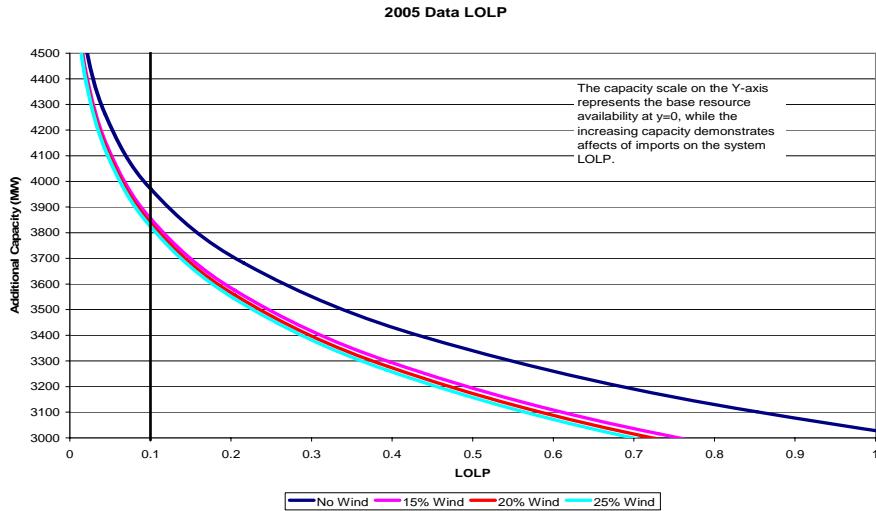


Figure 39: LOLH (Loss of Load Hours) from Marelli analysis for 2005 wind and load patterns

To allow for a more direct comparison, MARS cases were re-run to more closely match the assumptions used in the analysis by MISO. These are shown in Figure 40 through Figure 42.

A comparison of the ELCC results obtained from the GE-MARS and Marelli LOLP analysis is provided in Table 24.

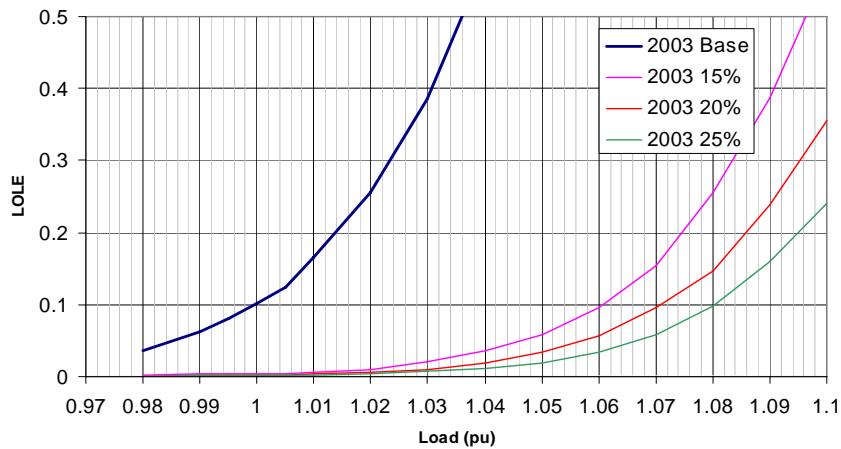


Figure 40: GE-MARS results for isolated MN system; 2003 wind and load patterns

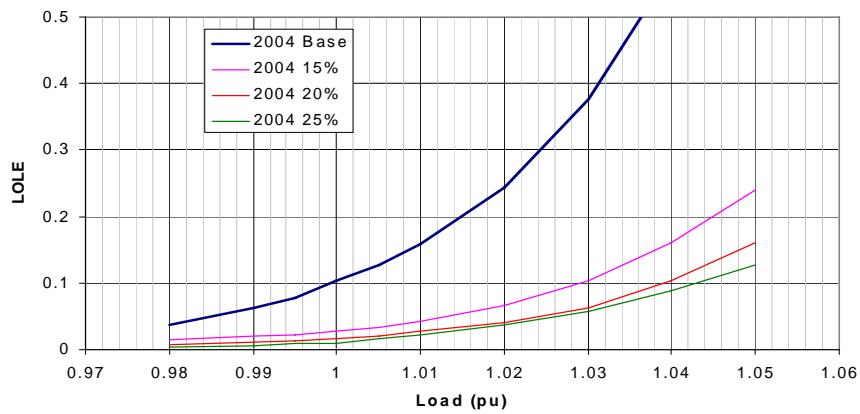


Figure 41 GE-MARS results for isolated MN system; 2004 wind and load patterns

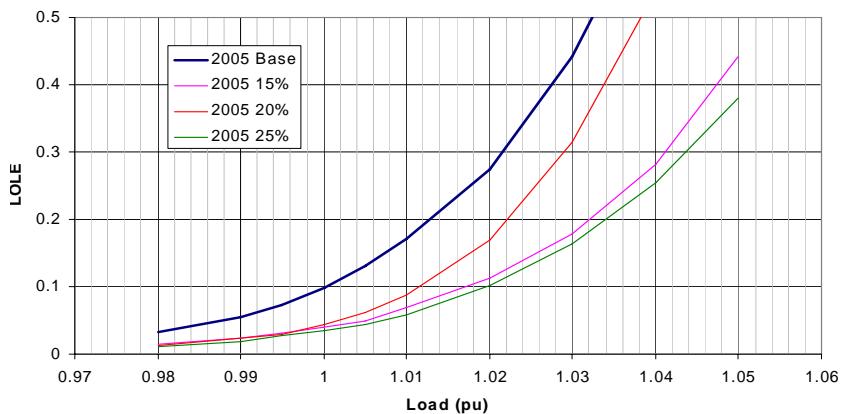


Figure 42: GE-MARS results for isolated MN system; 2005 wind and load patterns

Table 24: Comparison of ELCC Results from GE-MARS and Marelli LOLP Analysis

2003 Load Shape ELCC Analysis for Minnesota Load					
GE-MARS Results					
15%	pu dELCC 0.061	Peak Load 15630	dELCC MW 953	Wind 3441	% ELCC 27.7%
20%	0.071	15630	1110	4582	24.2%
25%	0.081	15630	1266	5688	22.3%
Marelli Results					
2003 Load Shape ELCC Analysis for Minnesota Load					
Base Cap					
15%	Cap Add (mw) 3050	Add (mw) 4100	dELCC MW 1050	Wind 3441	% ELCC 30.5%
20%	2900	4100	1200	4582	26.2%
25%	2825	4100	1275	5688	22.4%
2004 Load Shape ELCC Analysis for Minnesota Load					
GE-MARS Results					
15%	pu dELCC 0.029	Peak Load 15630	dELCC MW 453	Wind 3441	% ELCC 13.2%
20%	0.039	15630	610	4582	13.3%
25%	0.043	15630	672	5688	11.8%
Marelli Results					
2004 Load Shape ELCC Analysis for Minnesota Load					
Base Cap					
15%	Cap Add (mw) 1350	Add (mw) 2000	dELCC MW 650	Wind 3441	% ELCC 18.9%
20%	1260	2000	740	4582	16.2%
25%	1200	2000	800	5688	14.1%
2005 Load Shape ELCC Analysis for Minnesota Load					
GE-MARS Results					
15%	pu dELCC 0.012	Peak Load 15630	dELCC MW 188	Wind 3441	% ELCC 5.5%
20%	0.017	15630	266	4582	5.8%
25%	0.02	15630	313	5688	5.5%
Marelli Results					
2005 Load Shape ELCC Analysis for Minnesota Load					
Base Cap					
15%	Cap Add (mw) 3850	Add (mw) 3980	dELCC MW 130	Wind 3441	% ELCC 3.8%
20%	3835	3980	145	4582	3.2%
25%	3820	3980	160	5688	2.8%

## DISCUSSION

When run using the same wind generation and load patterns, and the same assumptions for modeling of the Minnesota power system, the ELCC results obtained through LOLP analysis with both GE-MARS and Marelli are consistent. Further support is obtained by analyzing more detailed output from the programs which indicates the weeks of the year from the respective simulations where generation was insufficient to meet load in the statistical trials. This output is shown in Figure 43 through Figure 45 for each pattern year, and requires some explanation.

The vertical axes on the charts represent different quantities; the time scale, however is synchronized. For each year it can be seen that the system was at some risk during the same periods. Even though the programs utilize different algorithmic approaches for the LOLP analysis, they both show that the combination of wind generation, load, maintenance outages, etc. during certain periods can result in loss of load if forced generation outages should occur.

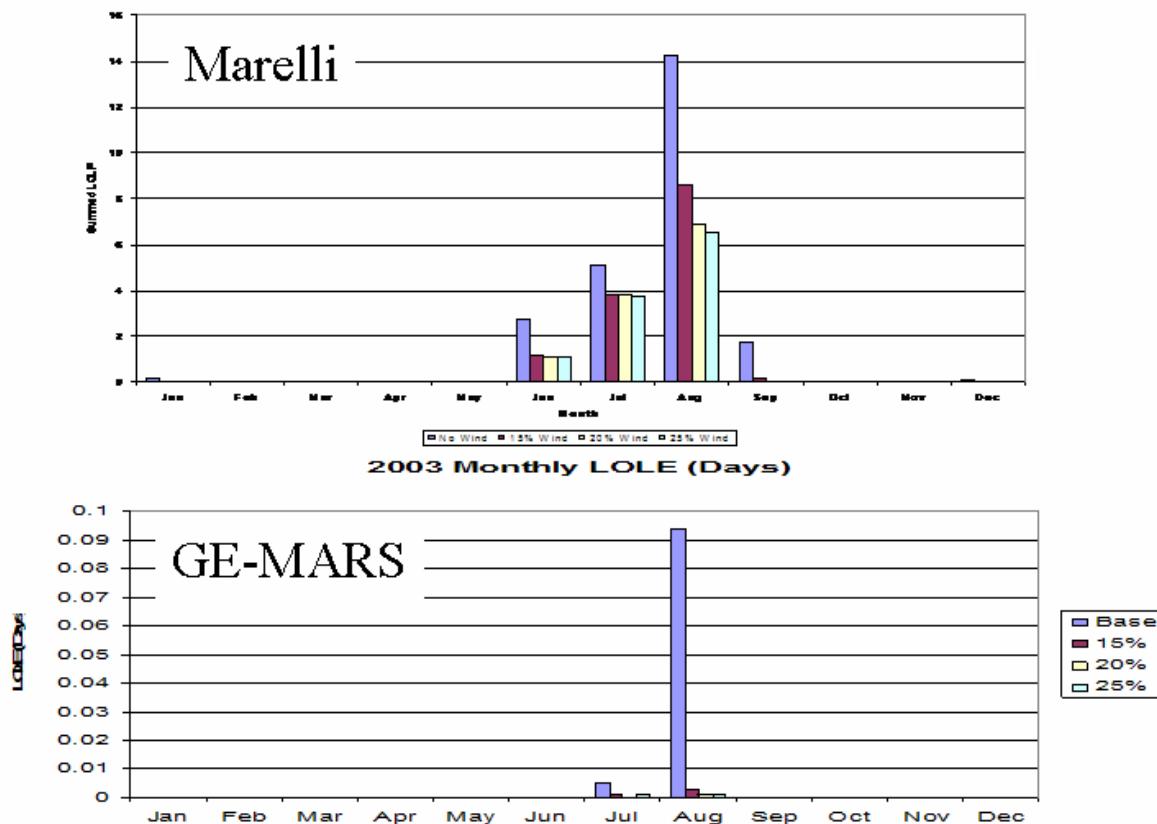


Figure 43: Weekly LOLP results for 2003 for GE-MARS and Marelli

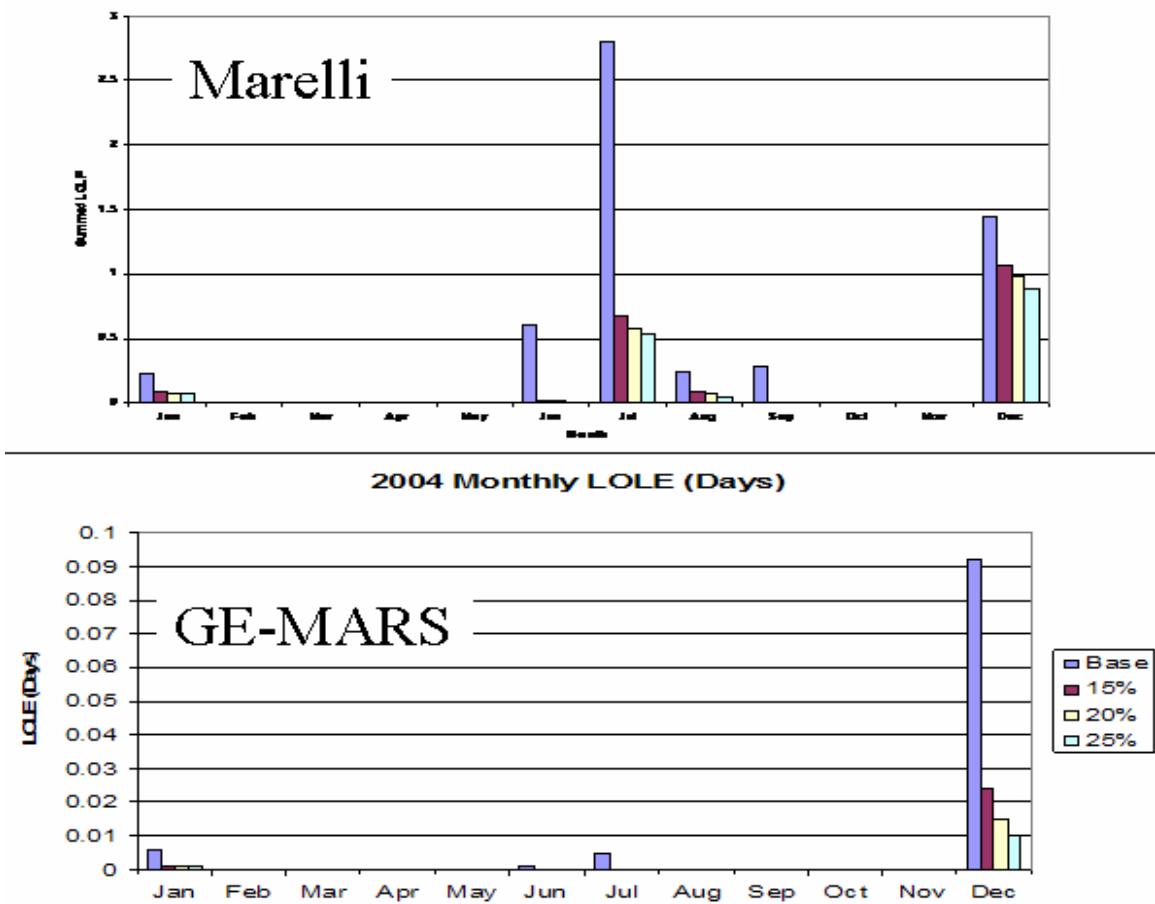


Figure 44: Weekly LOLP results for 2004 for GE-MARS and Marelli

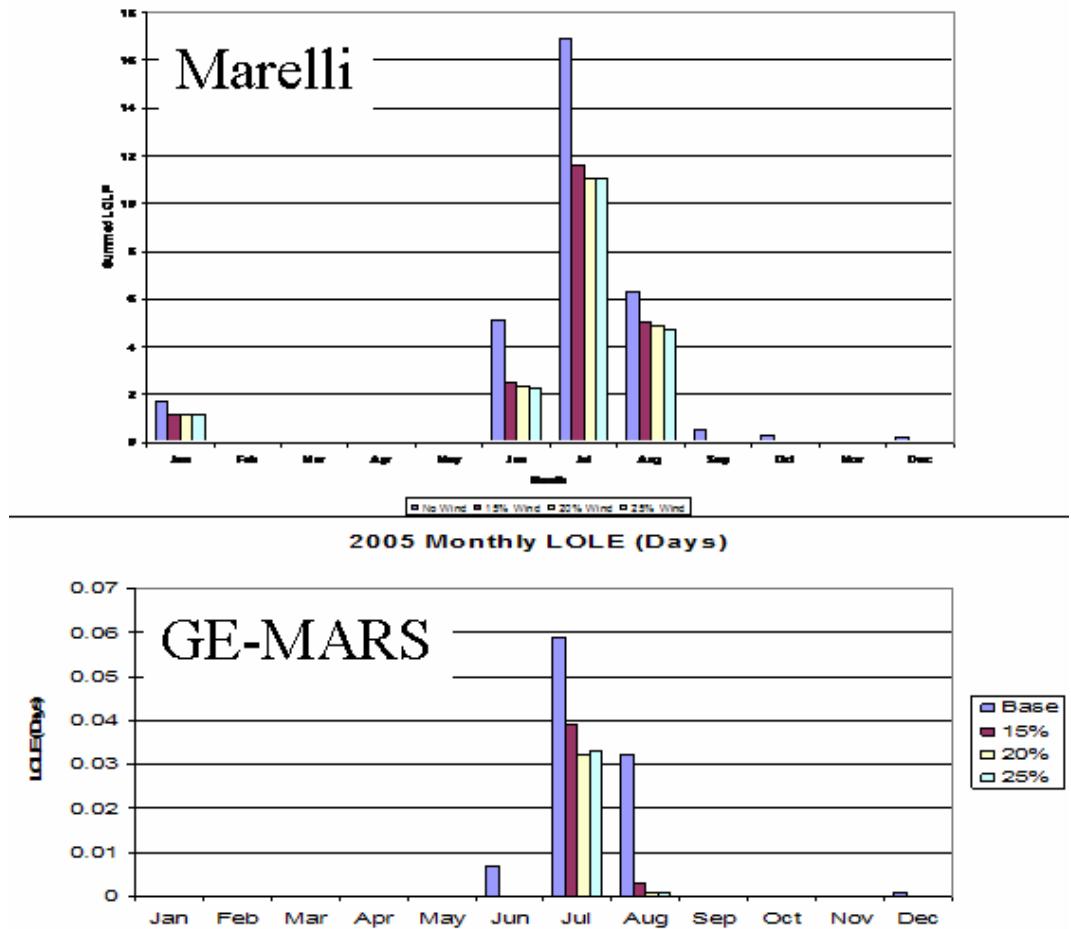


Figure 45: Weekly LOLP results for 2005 for GE-MARS and Marelli

The numerical results from the LOLP analysis are slightly lower than the capacity accreditation as determined by the existing MAPP Reserve Sharing Group policy for accrediting intermittent generation. This policy was first developed for small hydro systems, and uses an after-the-fact accounting procedure based on the amount of energy deliveries during a four hour window around the monthly peak hour. It is specified to be applied over a ten-year rolling window, so the monthly accredited capacity is actually the median value of the monthly samples over the previous decade.

Table 25 shows the results of applying the MAPP Generation Reserve Sharing Pool (GRSP) accreditation procedure to the wind model developed for this study. Of note are the accredited capacity values during the summer peak season, the months of July and August. These are median values from the peak period window over the three years. Unlike the LOLP analysis, all deliveries in the four hour window around the monthly peak hour are counted, even if the peak load for the month is significantly lower than would be expected. This was the case for 2004, where the peak actually occurred in the winter. Additionally, the MAPP methodology makes no distinction between days during the month. Over a period of a few days leading up to the monthly peak hour, wind generation may be low. As is often the case in the Great Plains, hot spells are broken

by frontal passages that can bring vigorous winds. High wind generation during these periods also affects the statistic.

Table 25: Capacity Accreditation of Wind Generation for Study per MAPP RSG Methodology

	15% Penetration		20% Penetration		25% Penetration	
	MW	% of Wind	MW	% of Wind	MW	% of Wind
Jan	793	23%	1094	24%	1353	24%
Feb	783	23%	1034	23%	1231	22%
Mar	1261	37%	1661	36%	2056	36%
Apr	1503	44%	2032	45%	2557	45%
May	1674	49%	2215	48%	2743	48%
Jun	902	26%	1185	26%	1416	25%
Jul	715	21%	951	21%	1167	21%
Aug	674	20%	904	20%	1087	19%
Sep	1251	36%	1687	37%	2111	37%
Oct	1052	31%	1401	31%	1731	30%
Nov	1346	39%	1793	39%	2319	41%
Dec	1442	42%	1928	42%	2450	43%

## SUMMARY

A variety of methods were employed to assess the contribution of the wind generation model developed for this study to the reliability of the Minnesota power system. The results were consistent across all of the methods, and show that the effective capacity of wind generation can vary significantly year-to-year. The ELCC of the wind generation corresponding to 15% to 25% of Minnesota retail electric sales ranges from approximately 5% to just over 20% of nameplate capacity.

Meteorological conditions are the most likely explanation for this variation, as it can affect both electric demand and wind generation. The historical years used as the basis for this study did exhibit some marked differences attributable to weather, especially in 2004 where the annual peak actually occurred in the winter, rather than in the late summer months as is the norm.

Capacity value as computed through a rigorous LOLP analysis, along with the average number derived with such methods as that utilized by the MAPP GRSP can be expected to improve and converge as more years of data are added to the sample.

## **Section 5**

### **OPERATING IMPACTS**

---

#### **OVERVIEW**

In the operating time frame – hours to days – wind generation and load follow different cycles. Load exhibits a distinct diurnal pattern through all seasons. Wind generation in the Great Plains exhibits some diurnal characteristics, but is mainly driven by the passage of large scale weather systems that have cycles of several days to a week. It is nearly impossible, therefore, to select a small number of “typical” wind and load days for analysis.

The approach first used in the study for Xcel Energy in 2004 overcomes this difficulty by utilizing synchronized historical load and wind generation data sets extending over several years. Correlations due to the common meteorology are automatically embedded in these records, and a much wider range of combinations of wind generation and load behavior are represented. With multiple annual data sets, inter-annual variations in the meteorology can be captured.

With these data sets as the starting point, assessment of wind integration issues can be accomplished through a “simulation” of operational activities. For most utilities, this involves a forward-looking process where resources are committed for operation based on forecasts of load and wind. The selected resources are then dispatched against the “actual” load and wind generation to simulate real-time operations. Using planning tools that operate on time steps of one hour, an entire annual set of wind and load data can be processed.

MISO utilizes PROMOD for hour-by-hour analysis of energy market operations and transmission facility utilization. In this program, generating units are committed based on costs, operating characteristics, and transmission constraints, then dispatched to meet the specified load on an hourly basis. Like other hourly production costing programs, it can be used as a “proxy” for the short-term operation of power systems.

In this study, PROMOD is utilized to simulate the operation of the MISO energy markets. Annual data sets of wind generation and load developed from synthesized and historical data for calendar years 2003, 2004, and 2005 are the primary inputs to the program. System characteristics, such as transmission network data and generating unit costs and capabilities, are drawn from the database that MISO utilizes for transmission planning studies.

#### **“BASE” CASES**

The initial PROMOD cases utilized the Minnesota load patterns from 2004 scaled to 2020 levels, and wind generation from the same year. Wind generation was injected at 14 buses in Minnesota and the Dakotas, and treated as a “firm” transaction. PROMOD uses firm transactions in the unit commitment step of the simulation, so the results represent an optimized commitment and dispatch for the entire year.

Output from the PROMOD analysis can include the hourly profile of load at any bus, flows in any line, or output from any generator. The results presented here and throughout this section are based on summary information, and consist of the following quantities:

- Load – The annual energy consumed by end-users in the Minnesota company footprints in the PROMOD case. The target Minnesota retail electric energy sales are based on load patterns from 2004. Units are terawatt-hours (TWH), which is 1 million MWH.
- Wind Generation – Annual energy delivered by the wind generation in the scenarios constructed for this study. The amount varies by year, with target fraction of retail electric energy sales for wind based on meteorology from the year 2004. Units are terawatt-hours (TWH), which is 1 million MWH.
- Generation (non-wind) – Annual electric energy production from conventional generating resources. Units are terawatt-hours (TWH), which is 1 million MWH.
- Load Cost – The annual amount paid by the loads for the electric energy consumed. This quantity is equal to the summation over all hours of the year and all utilization buses in the Minnesota companies' PROMOD footprints of the hourly amount at each utilization bus times the hourly locational marginal price at that utilization bus. Units are in millions of dollars.
- Production Cost – Variable costs associated with electric energy production. Includes fuel, startup and shutdown, and O&M costs. This amount does not include any consideration for capital recovery. Units are in millions of dollars.
- Generator Revenue – The annual amount paid to the generators. This quantity is equal to the summation over all hours of the year and all delivery buses in the Minnesota companies' PROMOD footprints of the hourly amount at each delivery bus times the hourly locational marginal price at that delivery bus. Units are in millions of dollars.
- Imports – The amount of energy utilized by loads in the Minnesota companies' PROMOD footprint but produced outside of that footprint. Units are terawatt-hours (TWH), which is 1 million MWH.

The case was run multiple times for different operating reserve assumptions to generate a curve for each wind generation level. Production costs and load payments are shown in Figure 46 and Figure 47. The effect on the utilization of conventional generation is shown in Figure 48 and Figure 49.

These optimized hourly cases show the following impacts of wind generation:

- As more wind energy is added, the production cost and load payments decline. This is due to the displacement of conventional generation and the resulting reduction in variable (fuel) costs.
- Generation from both coal and gas units is displaced.
- Production costs rise with the level of required operating reserves. This is intuitive, since more generation must be available or online.
- Production costs rise slowly from the baseline assumption of 5% total operating reserves out to about 7%. From there, costs rise more quickly.

- As the operating reserve requirement is increased, coal units are further displaced in favor of more flexible gas units.

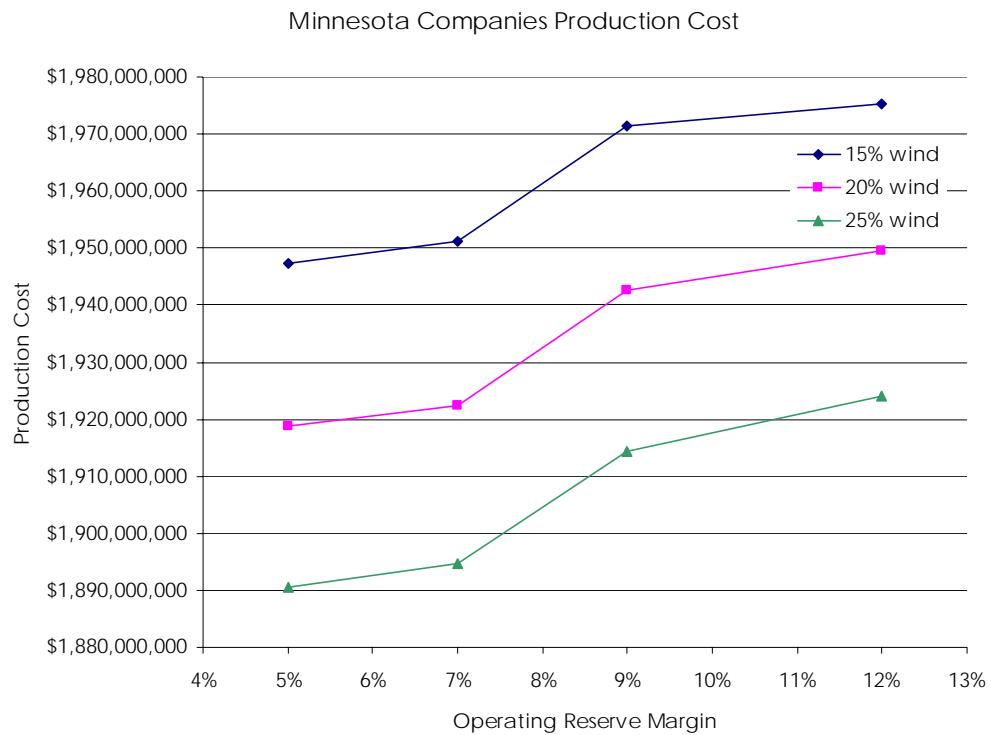


Figure 46: Production cost for Minnesota companies as a function of wind penetration and operating reserve level.

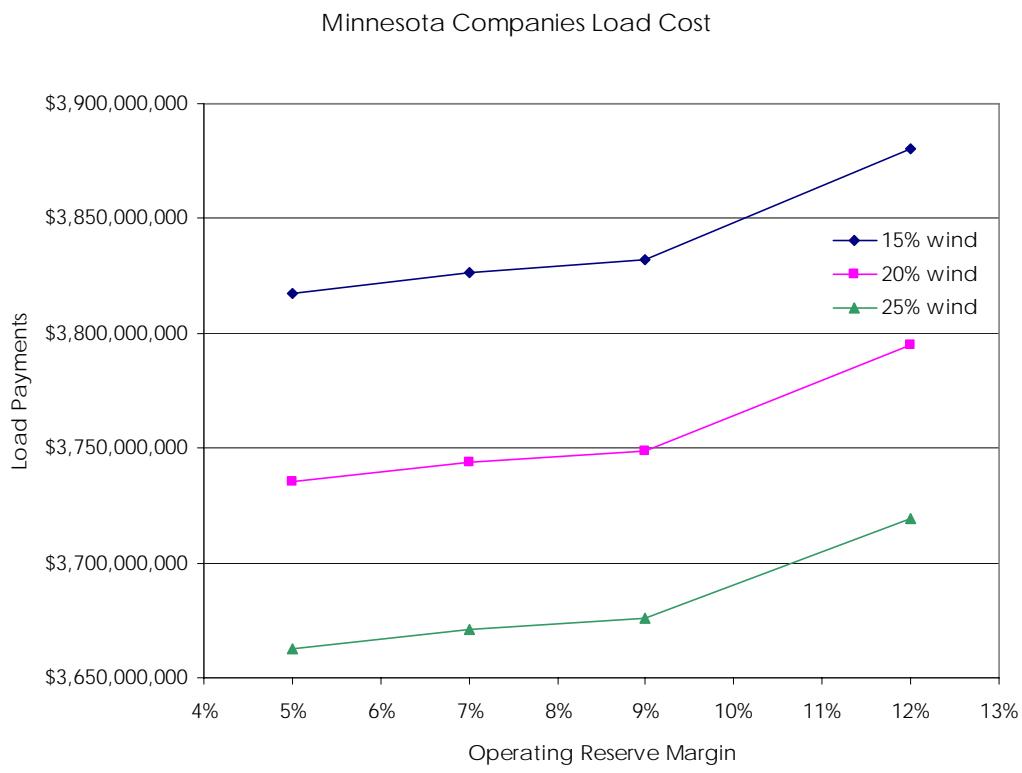


Figure 47: Load payments for Minnesota companies as a function of wind penetration and operating reserve level.

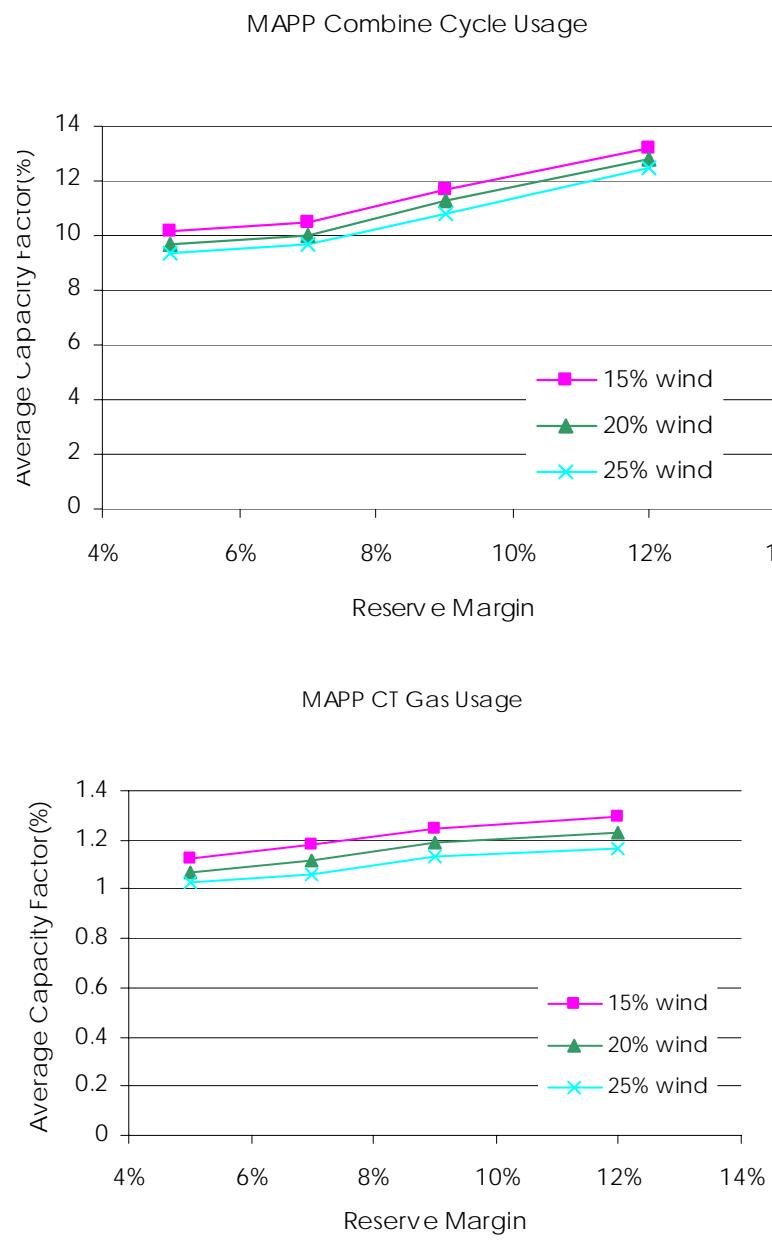


Figure 48: Gas unit capacity factor as functions of wind generation and operating reserve level

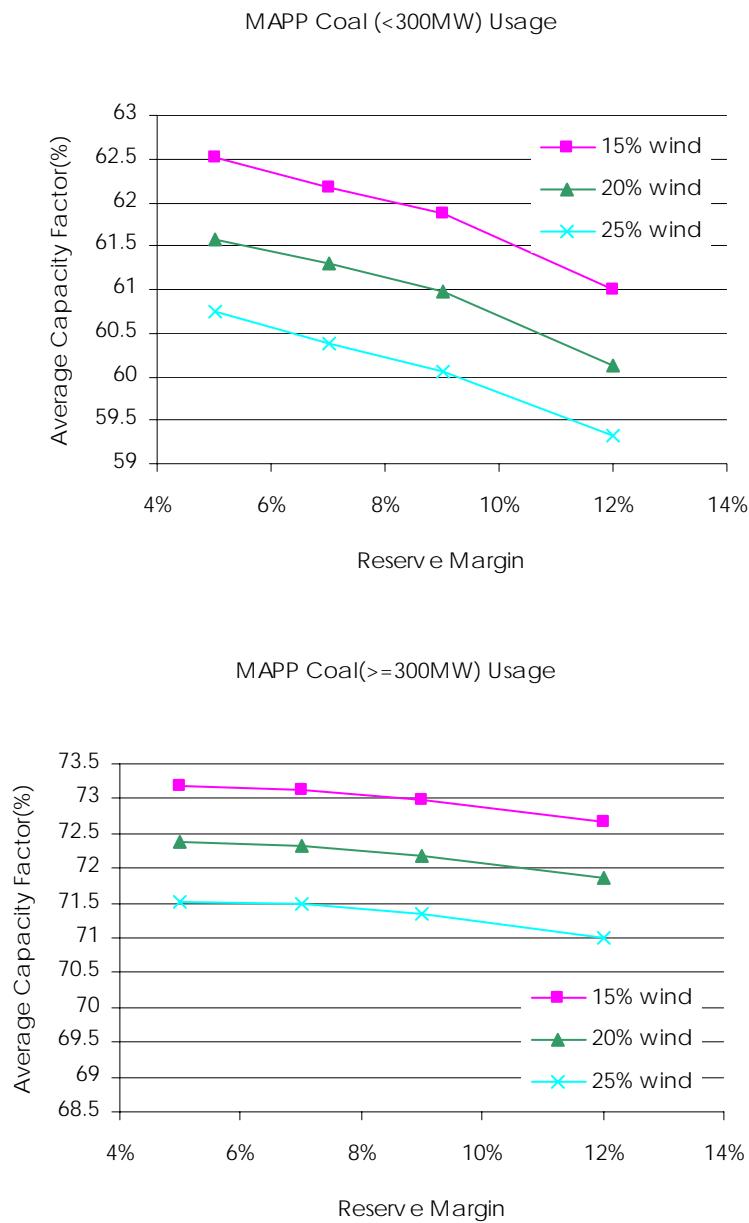


Figure 49: Coal unit capacity factor as functions of wind generation and operating reserve level

## RESERVE COSTS

The base cases investigated costs as a function of operating reserve level. In the market impact cases, a single operating reserve percentage for each level of wind generation was assumed, based on the analysis. The reserve level in the market impact cases was also perturbed by a small amount in additional cases. Finally, a case where the

operating reserve level was varied according to the amount of wind generation actually being delivered each hour was run.

2004 load and wind generation patterns were used in this analysis.

Figure 50 summarizes all reserve cases run, showing production cost as a function of operating reserve level. A trend line based on an exponential fit has been added to each wind penetration level.

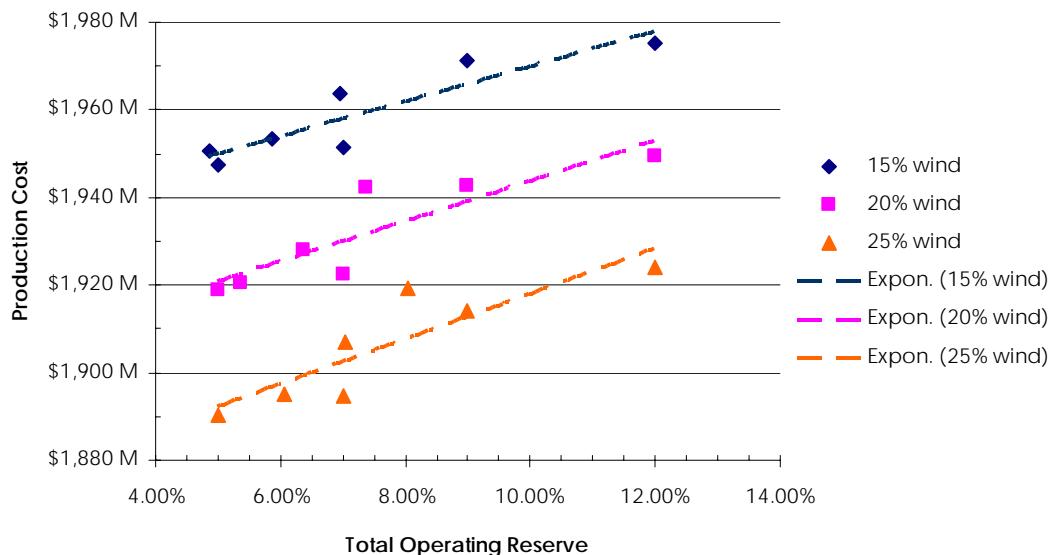


Figure 50: Production cost as a function of wind penetration and operating reserve level.

Production costs rise as total operating reserves are increased, which is the expected result. It is recognized, however, that a higher reserve requirement for all hours of the annual simulation is overly conservative, since there are many hours where wind generation is very low, and changes up or down would be of little note to operators. Further, an incremental operating reserve pegged to hourly changes in wind generation would not need to be comprised of spinning generation only – changes in the later part of the hour could be covered by quick-start units, if available. The significance here is that no costs accrue with this type of reserve unless it is used.

A case was run for the 2004 load patterns at 20% wind generation with operating reserves for wind generation modeled less conservatively:

- The additional operating reserve for wind generation is a variable hourly profile based on the previous hourly average value
- The incremental reserves for wind generation were further required only to be non-spinning.

As expected, these assumptions resulted in a decreased production costs over the fixed additional reserves case.

The cost associated with increased operating reserve can be placed in context by assigning it as an “integration cost” for wind generation and amortizing it over the wind energy delivered. Table 26 documents this calculation, and shows that for 20% wind generation, the fixed additional reserve options leads to a increased cost of \$0.55 per

MWH of wind generation over the case where no additional reserves are carried. If the additional reserve amount is varied according to the quantity of wind generation actually being delivered over the hour, the cost per MWH of wind energy falls to \$0.23.

If the operating reserve margin intended to cover unexpected declines in wind generation in the next hour (i.e. the negative deviation from a persistence forecast) is all allowed to consist of non-spinning quick-start units, the reserve cost per unit of wind energy declines further, to just \$0.11/MWH. An interpretation is that there is enough quick-start reserve available over most hours of the year. Reserve costs would only be incurred if generation needed to be committed to cover this reserve requirement.

In all of these cases, the reserve component of the integration costs seems modest. This is likely a consequence of the very large number and diversity of the controllable resources in the MN footprint. With more units in operation, an increase in the reserve requirement can be accommodated without significantly changing the commitment of units to operation.

Table 26: Incremental Reserve Cost for 20% Wind Case, 2004 Patterns

Case	Production Cost
Full Reserves Case	\$1,928 M
20% Variable Reserve Margin Case	\$1,923 M
Operating Reserve Margin as non-spin	\$1,921 M
Base Case - 5% Operating Reserve Assumption	\$1,919 M
<i>Wind Production - 20%/2004 Cases</i>	<i>16,895,658 MWH</i>
Incremental Cost - "Full" Reserves	\$9,368,744
Cost per MWH Wind	<b>\$0.55</b>
Incremental Cost - "Variable" Reserves	\$3,955,303
Cost per MWH Wind	<b>\$0.23</b>
Incremental Cost - Variable Reserves, non-spin	\$1,898,352
Cost per MWH Wind	<b>\$0.11</b>

## MARKET IMPACTS

The market impacts cases assumed a single operating reserve level for each penetration of wind generation, per Table 18 . The operating reserve levels were 5.86% for 15% wind generation, 6.36% for 20% wind, and 7.05% for 25% wind.

The PROMOD results constitute an “optimized” market scenario since wind generation and load are known perfectly in both the commitment and dispatch steps. Actual market operation would not be as efficient, and therefore at least somewhat more costly. This will be investigated in detail in the unit commitment cost quantification.

A further point should be made regarding the relationship of PROMOD to the actual operation of the MISO energy markets. PROMOD searches for an optimal economic solution given load, unit cost characteristics and constraints, and system requirements. In real energy market operation, bidding strategies and the mechanics of the market may result in a somewhat different deployment of units. If the market is liquid and transparent, however, the behavior should track the results from a cost-based analysis.

The following charts and graphs illustrate the effect of wind generation on various metrics of the MISO market and aggregate impact on other generators in Minnesota.

Table 27 shows how increasing wind generation displaces conventional generation in Minnesota, and the corresponding impacts on load payments and production cost.

The effect of wind generation on the locational margin price relative to a case with no wind generation at the Minnesota company trading hubs is shown in Figure 51 through Figure 53.

Finally, reductions in emissions relative to a case with no wind generation are provided in Table 28. In analyzing these emission reductions, it is important to remember that wind generation displaces both fossil generation and imports. In fact, for these cases, about two-thirds of the wind energy displaces imports from outside of the Minnesota company footprints. The emission reductions shown are for only those units within this footprint, so they do not reflect offsets from fossil units outside of Minnesota.

Table 27: Wind Generation Impacts on Energy Market Metrics – 2004 Wind and Load Patterns

Penetration Level	15%	20%	25%
Load	108.02 TWH	108.02 TWH	108.02 TWH
Wind Generation	12.67 TWH	16.90 TWH	21.18 TWH
Generation (non-wind)	90.83 TWH	89.77 TWH	88.66 TWH
Load Cost	\$3,826 M	\$3,745 M	\$3,672 M
Production Cost	\$1,953 M	\$1,928 M	\$1,907 M
Generator Revenue	\$2,976 M	\$2,891 M	\$2,814 M
Imports	4.52 TWH	1.35 TWH	-1.82 TWH

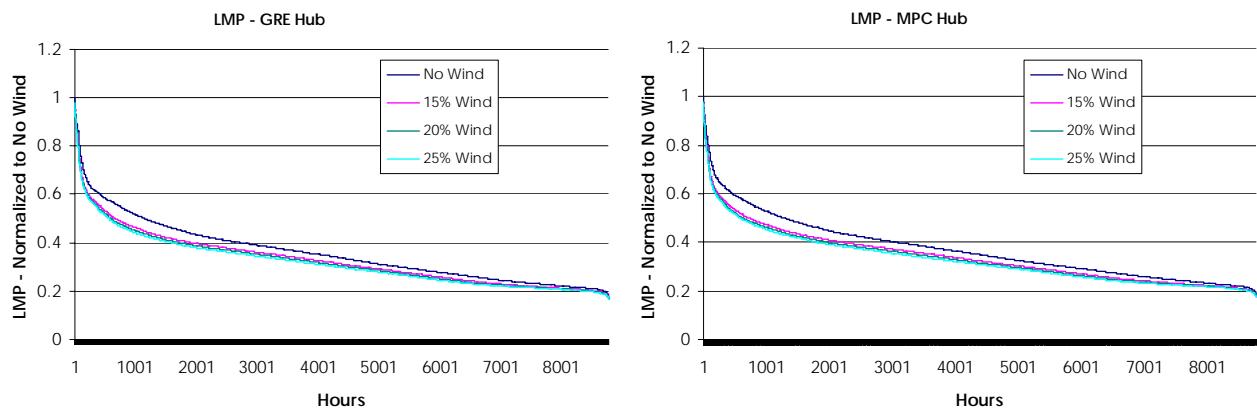


Figure 51: Wind generation impact on relative locational marginal price – Great River Energy and Minnkota hubs

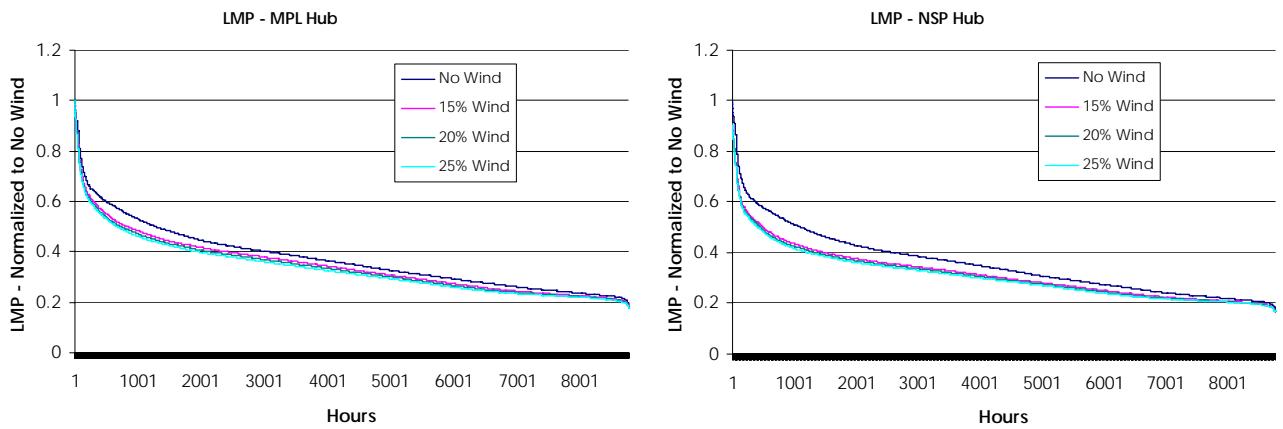


Figure 52: Wind generation impact on relative locational marginal price – Minnesota Power and Xcel Energy hubs

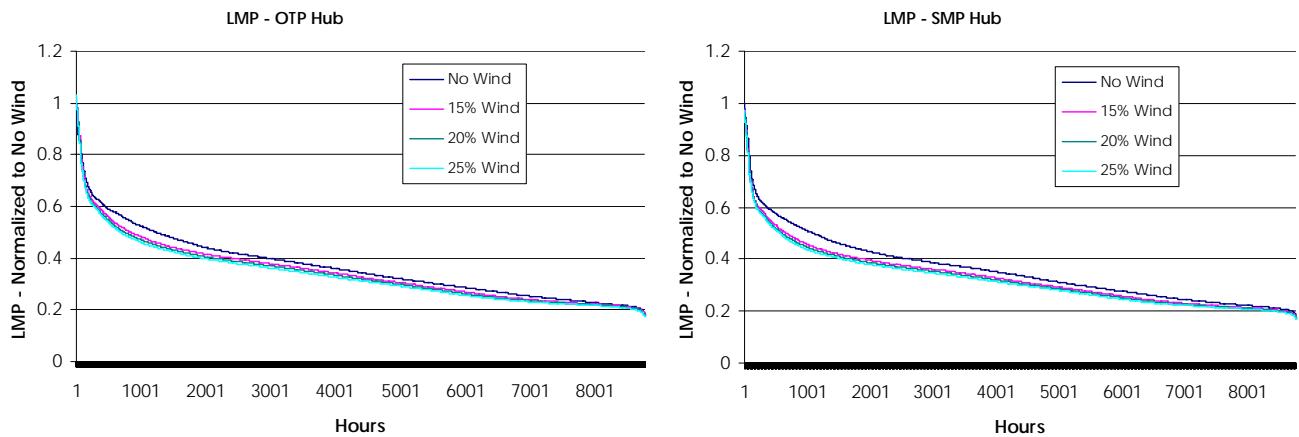


Figure 53: Wind generation impact on relative locational marginal price – Ottertail Power and Southern Minnesota Municipal Power Agency hubs

Table 28: MN Company Emissions for "No Wind" case and offsets for wind generation levels

	No Wind ( Metric Tons x1000)	Wind Generation Penetration	15% (Base) ( Metric Tons x1000)	20% (Metric Tons x1000)	25% (Metric Tons x1000)
CO2	53670		-1839	-2627	-3500
SOx	106.1		-3.3	-4.9	-6.7
NOx	148.6		-6.3	-9.2	-12.4

## THE COST OF INTEGRATING WIND GENERATION

### Background

The purpose of these hourly cases is to determine how the major characteristics of wind generation – variability and uncertainty – affect the commitment and dispatch of conventional generators.

The object of the analysis is to quantify the cost differential to serve the load not served by wind generation due to these characteristics. Using PROMOD and the data assembled for this study, this cost differential is determined through the following process:

1. Run PROMOD to simulate the MISO day-ahead market clearing and RAC (reliability assessment and commitment) process. In this step, the actual wind generation and load for the next day are not known perfectly. For wind generation, the day-ahead forecast developed in the resource characterization task is used. The load is more problematic. In the market clearing, demand bids, rather than actual forecasts, are used to clear the day-ahead offers. Later in the day, MISO performs a reliability assessment using security-constrained unit commitment, assesses this result versus the cleared offers. If the offers are short of what is determined necessary for reliability, more generation is committed. This process utilizes an actual forecast of load.

If load is assumed to be known perfectly, all uncertainty costs will be attributed to wind generation, which is not the case in reality. PROMOD performs the unit commitment part of the simulation using only “firm” demand and transactions. From this commitment, an economic dispatch is performed against both firm and non-firm load and transactions. So to represent the actual wind generation in this sub-step, a second wind energy transaction was created. This non-firm transaction consists of the difference between forecast and actual wind generation.

Load forecasts must also be handled through firm and non-firm transactions. In the commitment phase, firm transactions that represent the difference between actual and forecast loads are included. A non-firm transaction in the economic dispatch step is used to negate the firm transaction. What remains for dispatch, then, is the actual load.

2. A second reference case is analyzed with PROMOD where wind generation has no uncertainty or variability on a daily basis. The energy delivered over the course of each day, however, is identical to that in Step 1. Further, because of the attributes of this proxy energy resource, there are no additional reserves required to cover within the hour variability or short-term uncertainty.
3. The results of the unit commitment/economic dispatch simulation from the two cases are then compared. The differences in the load cost are assigned to the variability and uncertainty of wind generation.

The unit commitment component of the integration cost measures how the variability and uncertainty of wind generation decreases the efficiency of the market. The uncertainty impact shows up in the day-ahead market clearing, as significant wind generation forecast errors cause the market to respond to incorrect information. Over- and under-commitment of conventional generation will increase costs. The variability cost results from conventional units being dispatched “around” wind energy delivery. Increased costs result from less efficient operation of conventional units.

## Results of PROMOD Cases

Case summary data and unit commitment cost calculations for the three wind generation penetration levels with 2003, 2004, and 2005 wind and load patterns are shown in Table 31. The numbers tabulated are for Minnesota loads and Minnesota companies. The total load shown is taken directly from the PROMOD output. This total includes retail load outside of Minnesota, and therefore is larger than the amount projected for the 2020 study year. As described in a previous section covering the development of the load model for the study, there is no practical way to segregate only the Minnesota load from the Minnesota company totals from the MISO West RSG PROMOD model.

These results show that, relative to the same amount of energy stripped of variability and uncertainty of the wind generation, there is a cost paid by the load that ranges from a low of \$2.11 (for 15% wind generation, based on year 2005) to a high of \$4.41 (for 25% wind generation, based on year 2003) per MWH of wind energy delivered to the Minnesota companies. This is a total cost and includes the cost of the additional reserves (per the assumptions) and costs related to the variability and day-ahead forecast error for wind generation. Integration cost results are shown graphically in Figure 54.

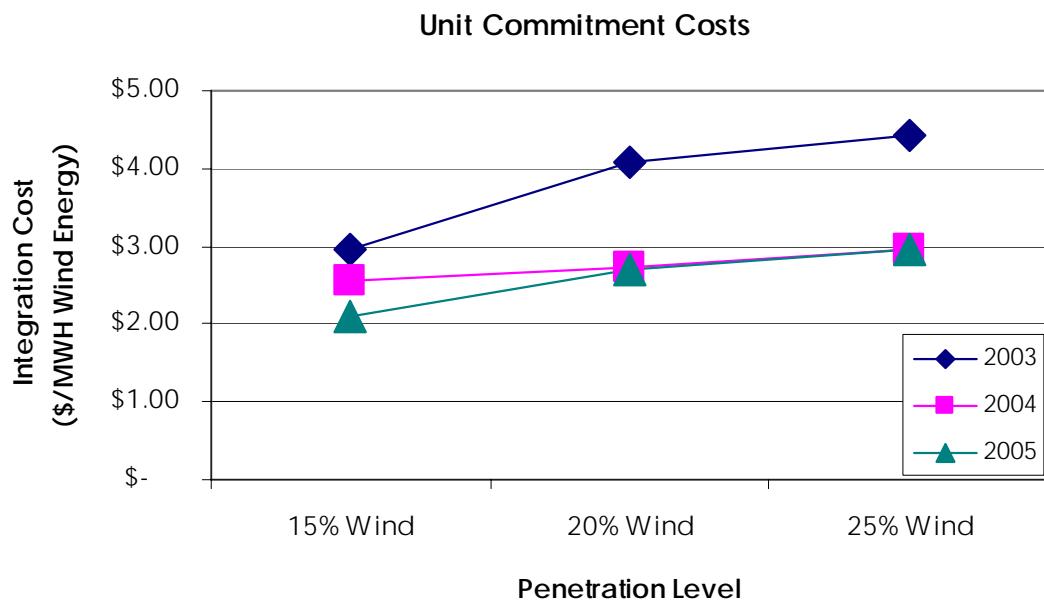


Figure 54: Unit commitment costs for three penetration levels and pattern years. Cost of incremental operating reserves is embedded.

## IMPACTS OF WIND GENERATION ON UNIT UTILIZATION AND TRANSACTIONS

Results from the PROMOD cases described thus far show that energy from wind generation displaces conventional generation in the Minnesota company footprint. Some of the displaced generation is from more expensive gas units, but with the resource profile and the relatively high penetration of wind generation in the lower load seasons, it is possible that baseload units could be impacted.

An extra PROMOD case was run with the hourly dispatch profiles for all units in the Minnesota footprint larger than 200 MW reported. This case used 2004 load and wind patterns, and allowed PROMOD to optimize the solution (i.e. no wind generation or load forecast errors were considered). The analysis does appear to indicate some displacement of large coal generation by wind since production does go to zero for certain of the units throughout the year, not just during maintenance outage periods. Annual capacity factors however, remain 70% or greater for all of these units (not shown).

Wind generation also displaces imports into the Minnesota company footprint. Table 29 shows the load, wind generation, production from conventional generation, and imports for the 20% case with 2004 wind and load patterns. The table rows correspond to a case with no wind generation, and cases with different treatments of wind generation in the day-ahead unit commitment. If all wind generation is discounted in the day ahead commitment and allowed to show up in real time, about two-thirds of the wind generation would displace imports from outside of Minnesota. That amount is slightly increased if wind is incorporated, either through perfect knowledge or forecast, into the day-ahead commitment. This treatment increases production from Minnesota generators and further reduces imports.

Table 29: Load and Production for 20% Case, 2004 Patterns

Case	Load (TWH)	Wind Generation (TWH)	Generation (TWH)	Import (TWH)
No wind	108.02	0.00	93.49	14.53
No Commit Credit	108.02	16.90	87.92	3.21
Forecast	108.02	16.88	89.72	1.42
Perfect Forecast	108.02	16.90	89.77	1.35

## EFFECT OF WIND GENERATION FORECASTING

How wind generation is treated in the commitment process has influence on market operations. Table 30 provides financial numbers for the cases described in the previous section. In terms of straight production cost for the Minnesota companies, excluding wind generation from the day ahead commitment reduces production cost since the Minnesota generators are “backed down” by over 5 TWH from the “no wind” case, along with a reduction in imports. However, if the cost of imports is included in a modified “production cost” equation, the effect of forecasting can be seen.

The PROMOD case results did not include hourly imports and prices, so an estimate of the cost of the imports is necessary. The last column in Table 30 assumes an average price of \$40/MWH for imports. The variable cost reduction – made up of production costs plus purchased energy – is about \$19 million greater when wind generation forecasts are considered in the unit commitment over the case where wind generation shows up in real time. These reductions are summarized in Figure 55.

Of possibly more significance are the generation revenue and load payment reductions. Allowing wind to show up in real time introduces significant market inefficiencies that result in large reductions in both load payments and generator revenue. Although apparently a “good deal” for the loads, over the long term this would be detrimental for market function.

Wind generation forecasts are important to energy market efficiency. If the amount of wind generation considered in this study is excluded from the day-ahead market

clearing and reliability assessment commitment, the market participants will effectively be responding to incorrect signals. Without considering the probable wind energy deliveries, generation will be offered into the market to serve load that does not appear.

Table 30: Summary of Case Results for various treatment of wind in unit commitment (2004 wind and load patterns)

Case	Production Cost (\$M)	Generation Revenue (\$M)	Load Cost (\$M)	Import (TWH)	Production Cost w/ Imports (\$M)
No wind	2041.16	3278.47	4136.42	14.53	2767.63
No Commit Credit	1875.33	2649.19	3488.41	3.21	2035.83
Forecast	1928.06	2901.47	3756.69	1.42	1999.02
Perfect Forecast	1928.17	2891.47	3744.82	1.35	1995.78

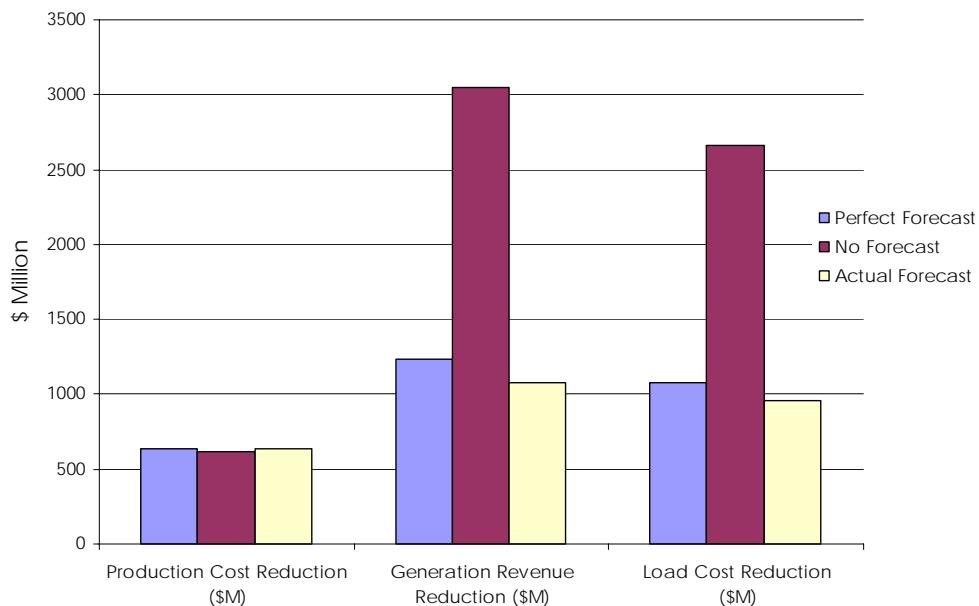


Figure 55: Effect of wind generation forecast on Minnesota company production and load costs

Table 31: Summary of Unit Commitment Cases: Variable Reserve, Load and Wind Forecast Error in Unit Commitment

15% Penetration/2003 Load Patterns

	Block	Mkt. Sim	Delta
Load	116.28 TWH	116.28 TWH	
Wind Generation	12.56 TWH	12.56 TWH	
Generation (non-wind)	92.87 TWH	94.94 TWH	2.06 TWH
Load Cost	\$4,423 M	\$4,460 M	\$37 M
Production Cost	\$2,017 M	\$2,069 M	\$52 M
Generator Revenue	\$3,229 M	\$3,260 M	\$31 M
Wind Revenue	\$419 M	\$404 M	-\$16 M
Imports + Losses	10.84 TWH	8.78 TWH	-2.06 TWH
Integration Cost - Unit Commitment (Load cost differential)		\$37 M	
Integration Cost		<b>\$2.97 /MWH</b>	

15% Penetration/2004 Load Patterns

	Block	Mkt. Sim	Delta
Load	108.02 TWH	108.02 TWH	
Wind Generation	12.66 TWH	12.66 TWH	
Generation (non-wind)	91.15 TWH	93.10 TWH	1.96 TWH
Load Cost	\$3,814 M	\$3,847 M	\$32 M
Production Cost	\$1,947 M	\$1,989 M	\$42 M
Generator Revenue	\$2,972 M	\$2,982 M	\$10 M
Wind Revenue	\$396 M	\$384 M	-\$13 M
Imports + Losses	4.22 TWH	2.26 TWH	-1.96 TWH
Integration Cost - Unit Commitment (Load cost differential)		\$32 M	
Integration Cost		<b>\$2.55 /MWH</b>	

15% Penetration/2005 Load Patterns

	Block	Mkt. Sim	Delta
Load	116.78 TWH	116.78 TWH	
Wind Generation	12.83 TWH	12.83 TWH	
Generation (non-wind)	92.94 TWH	94.98 TWH	2.03 TWH
Load Cost	\$4,430 M	\$4,457 M	\$27 M
Production Cost	\$2,016 M	\$1,952 M	-\$64 M
Generator Revenue	\$3,224 M	\$3,304 M	\$79 M
Wind Revenue	\$426 M	\$408 M	-\$19 M
Imports + Losses	11.01 TWH	8.98 TWH	-2.03 TWH
Integration Cost - Unit Commitment (Load cost differential)		\$27 M	
Integration Cost		<b>\$2.11 /MWH</b>	

20% Penetration/2003 Load Patterns

	Block	Mkt. Sim	Delta
Load	116.28 TWH	116.28 TWH	
Wind Generation	16.75 TWH	16.75 TWH	
Generation (non-wind)	92.02 TWH	95.06 TWH	3.03 TWH
Load Cost	\$4,313 M	\$4,382 M	\$68 M
Production Cost	\$1,990 M	\$2,059 M	\$69 M
Generator Revenue	\$3,136 M	\$3,260 M	\$124 M
Wind Revenue	\$540 M	\$518 M	-\$21 M
Imports + Losses	7.51 TWH	4.47 TWH	-3.03 TWH
Integration Cost - Unit Commitment (Load cost differential)		\$68 M	
Integration Cost		<b>\$4.09 /MWH</b>	

20% Penetration/2004 Load Patterns

Case	Block	Mkt. Sim	Delta
Load	108.02 TWH	108.02 TWH	
Wind Generation	16.88 TWH	16.88 TWH	
Generation (non-wind)	90.19 TWH	93.15 TWH	2.96 TWH
Load Cost	\$3,723 M	\$3,770 M	\$46 M
Production Cost	\$1,921 M	\$1,979 M	\$58 M
Generator Revenue	\$2,872 M	\$2,990 M	\$118 M
Wind Revenue	\$513 M	\$493 M	-\$20 M
Imports + Losses	0.96 TWH	-2.01 TWH	-2.96 TWH
Integration Cost - Unit Commitment (Load cost differential)		\$46 M	
Integration Cost		<b>\$2.73 /MWH</b>	

20% Penetration/2005 Load Patterns

	Block	Mkt. Sim	Delta
Load	116.78 TWH	116.78 TWH	
Wind Generation	17.16 TWH	17.16 TWH	
Generation (non-wind)	92.04 TWH	95.09 TWH	3.05 TWH
Load Cost	\$4,317 M	\$4,364 M	\$46 M
Production Cost	\$1,988 M	\$2,009 M	\$22 M
Generator Revenue	\$3,123 M	\$3,237 M	\$114 M
Wind Revenue	\$550 M	\$524 M	-\$26 M
Imports + Losses	7.58 TWH	4.53 TWH	-3.05 TWH
Integration Cost - Unit Commitment (Load cost differential)		\$46 M	
Integration Cost		<b>\$2.71 /MWH</b>	

25% Penetration/2003 Load Patterns

	Block	Mkt. Sim	Delta
Load	116.28 TWH	116.28 TWH	
Wind Generation	20.96 TWH	20.95 TWH	
Generation (non-wind)	91.20 TWH	94.78 TWH	3.59 TWH
Load Cost	\$4,216 M	\$4,308 M	\$92 M
Production Cost	\$1,966 M	\$1,989 M	\$23 M
Generator Revenue	\$3,048 M	\$3,237 M	\$189 M
Wind Revenue	\$648 M	\$620 M	-\$29 M
Imports + Losses	4.13 TWH	0.54 TWH	-3.59 TWH
Integration Cost - Unit Commitment (Load cost differential)		\$92 M	
Integration Cost		<b>\$4.41 /MWH</b>	

25% Penetration/2004 Load Patterns

	Block	Mkt. Sim	Delta
Load	108.02 TWH	108.02 TWH	
Wind Generation	21.10 TWH	21.10 TWH	
Generation (non-wind)	89.22 TWH	92.77 TWH	3.55 TWH
Load Cost	\$3,644 M	\$3,704 M	\$60 M
Production Cost	\$1,894 M	\$1,967 M	\$73 M
Generator Revenue	\$2,801 M	\$2,974 M	\$173 M
Wind Revenue	\$617 M	\$590 M	-\$27 M
Imports + Losses	-2.30 TWH	-5.85 TWH	-3.55 TWH
Integration Cost - Unit Commitment (Load cost differential)		\$60 M	
Integration Cost		<b>\$2.83 /MWH</b>	

25% Penetration/2005 Load Patterns

	Block	Mkt. Sim	Delta
Load	116.78 TWH	116.78 TWH	
Wind Generation	21.57 TWH	21.57 TWH	
Generation (non-wind)	91.09 TWH	94.68 TWH	3.59 TWH
Load Cost	\$4,214 M	\$4,278 M	\$64 M
Production Cost	\$1,960 M	\$2,008 M	\$48 M
Generator Revenue	\$3,028 M	\$3,205 M	\$177 M
Wind Revenue	\$661 M	\$624 M	-\$37 M
Imports + Losses	4.12 TWH	0.53 TWH	-3.59 TWH
Integration Cost - Unit Commitment (Load cost differential)		\$64 M	
Integration Cost		<b>\$2.95 /MWH</b>	

## **Section 6**

### **CONCLUSIONS**

---

The analytical results from this study show that the addition of wind generation to supply 20% of Minnesota retail electric energy sales can be reliably accommodated by the electric power system if sufficient transmission investments are made to support it.

The degree of the operational impacts was somewhat less than expected by those who have participated in integration studies over the past several years for utilities around the country. The technical and economic impacts calculated are in the range of those derived from other analyses for smaller penetrations of wind generation.

Discussion of the analytical results with the Technical Review Committee (TRC) and the Minnesota utility company representatives has established the following as the key findings and the principal reasons that wind generation impacts were not larger:

1. These results show that, relative to the same amount of energy stripped of variability and uncertainty of the wind generation, there is a cost paid by the load that ranges from a low of \$2.11 (for 15% wind generation, based on year 2003) to a high of \$4.41 (for 25% wind generation, based on year 2005) per MWH of wind energy delivered to the Minnesota companies. This is a total cost and includes the cost of the additional reserves (per the assumptions) and costs related to the variability and day-ahead forecast error for wind generation.
2. The cost of additional reserves above the assumed levels attributable to wind generation is included in the total integration cost. Special hourly cases were run to isolate this cost, and found it to be about \$0.11/MWH of wind energy at 20% penetration by energy.
3. The TRC decision to combine the Minnesota balancing authorities into a single functional balancing authority had a significant impact on results. Sharing balancing authority functions substantially reduces requirements for certain ancillary services such as regulation and load following (with or without wind generation). The required amount of regulation capacity is reduced by almost 50%. Additional benefits are found with other services such as load following. In addition, there are a larger number of discrete units available to provide these services.
4. The expanse of the wind generation scenario, covering Minnesota and the eastern parts of North and South Dakota, provides for substantial “smoothing” of wind generation variations. This smoothing is especially evident at time scales within the hour, where the impacts on regulation and load following were almost negligible. Smoothing also occurs over multiple hour time frames, which reduces the burden on unit commitment and dispatch, assuming that transmission issues do not intervene to affect operations. Finally, the number of hours at either very

high or very low production are reduced, allowing the aggregate wind generation to behave as a more stable supply of electric energy

5. The transmission expansion as described in the assumptions and detailed in Appendix A combined with the decision to inject wind generation at high voltage buses was adequate for transportation of wind energy in all of the scenarios. Under these assumptions, there were no significant congestion issues attributable to wind generation and no periods of negative Locational Marginal Price (LMP) observed in the hourly simulations.
6. The MISO energy market also played a large role in reducing wind generation integration costs. Since all generating resources over the market footprint are committed and dispatched in an optimal fashion, the size of the effective system into which the wind generation for the study is integrated grows to almost 1200 individual generating units. The aggregate flexibility of the units on line during any hour is adequate for compensating most of the changes in wind generation.

The magnitude of this impact can be gauged by comparing results from recent integration studies for smaller systems. In the 2004 study for Xcel Energy, for example, integration costs were determined to be no higher than \$4.60/MWH for a wind generation penetration by capacity of 15%, which would be closer to 10% penetration on an energy basis.
7. The contribution of wind generation to power system reliability is subject to substantial inter-annual variability. Annual Effective Load Carrying Capability (ELCC) values for the three wind generation scenarios from rigorous Loss of Load Probability (LOLP) analysis ranged from a low of 5% of installed capacity to just over 20%. These results were consistent with those derived through approximate methods.

## Section 7

### REFERENCES

---

- [1] Xcel Energy and the Minnesota Department of Commerce: "Wind Integration Study – Final Report", September, 2004; available at <http://www.uwig.org/opimpactsdocs.html>
- [2] The New York State Energy Research and Development Authority (NYSERDA): "The Effects of Integrating Wind Power on Transmission System Planning, Reliability, and Operations", March, 2005; available at <http://www.uwig.org/opimpactsdocs.html>
- [3] Utility Wind Interest Group (UWIG): "Characterizing the Impacts of Significant Wind Generation Facilities on Bulk Power System Operations Planning" May, 2003 [www.uwig.org](http://www.uwig.org)
- [4] Hirst, E. and Kirby, B. "Separating and Measuring the Regulation and Load Following Ancillary Services" November, 1998 (available at [www.EHirst.com](http://www.EHirst.com))
- [5] Hirst, E. and Kirby, B. "What is the Correct Time-Averaging Period for the Regulation Ancillary Service?" April, 2000 (available at [www.EHirst.com](http://www.EHirst.com))
- [6] Piwko, R., et.al. "The Effects of Integrating Wind Power on Transmission System Planning, Reliability, and Operations - Report on Phase 1: Preliminary Overall Reliability Assessment" for the New York State Energy Research and Development Authority (NYSERDA), published February, 2004 (available at [www.nyserda.org/energyresources/wind.html](http://www.nyserda.org/energyresources/wind.html))
- [7] NREL/CP-500-26722: "Short-term Power fluctuation of Wind Turbines: Analyzing data from the German 250 MW Measurement Program from the Ancillary Services Viewpoint"
- [8] Parsons, B.P, et. al. "Grid Impacts of Wind Power; A Summary of Recent Studies in the United States" presented at the 2003 European Wind Energy Conference, Madrid, Spain, June 2003.
- [9] Milligan, M.R. "A Sliding Window Technique for Calculating System LOLP Contributions of Wind Power Plants" presented at the 2001 AWEA Windpower Conference, Washington, DC, June 4-7, 2001. NREL/CP-500-30363
- [10] Milligan, M.R., et. al. "An Enumerative Technique for Modeling Wind Power Variations in Production Costing" presented at the International Conference on Probabilistic Methods Applied to Power Systems, Vancouver, BC, Canada, September 21-25, 1997. NREL/CP-440-22868
- [11] Milligan, M.R., et. al. "An Enumerated Probabilistic Simulation Technique and Case Study: Integrating Wind Power into Utility Production Cost Models" presented at the IEEE Power Engineering Society Summer Meeting, Denver, CO, July 29 – August 1, 1996. NREL/TP-440-21530

- [12] Milligan, M.R., "Measuring Wind Plant Capacity Value" NREL White Paper
- [13] Milligan, M. "Windpower and System Operation in the Hourly Time Domain" presented at the 2003 AWEA Windpower Conference, May 18-21, 2003, Austin, TX. NREL/CP-500-33955
- [14] Hirst, Eric, "Interaction of Wind Farms with Bulk Power Operations and Markets" prepared for the Project for Sustainable FERC Energy Policy, September 2001
- [15] Milligan, M.R. "A Chronological Reliability Model to Assess Operating Reserve Allocation to Wind Power Plants" presented at the 2001 European Wind Energy Conference, July 2-6, 2001, Copenhagen, Denmark. NREL/CP-500-30490
- [16] Milligan, M.R. "A Chronological Reliability Model Incorporating Wind Forecasts to Assess Wind Plant Reserve Allocation" presented at 2002 AWEA Windpower Conference, June 3-5, 2002, Portland, OR. NREL/CP-500-32210
- [17] Karady, George G., et. al., "Economic Impact Analysis of Load Forecasting", IEEE Transactions on Power Systems, Volume 12, No. 3, August, 1997. pp. 1388 – 1392.
- [18] L.L. Garver, Effective Load Carrying Capability of Generating Units IEEE Transactions on Power Apparatus and Systems VOL PAS-85, No 8, pp 910-919 August, 1966

## **APPENDIX A – WEST RSG STUDY ASSUMPTIONS**

---

Note: The following is a reproduction of the assumptions document for the West Regional Studies Group (RSG) dated May, 2006. The base model for the West RSG is the starting point for the Minnesota PUC wind integration study.

### **INTRODUCTION**

There are several exploratory studies performed in West Region. These studies are: CapX 2020, Buffalo Ridge Incremental Generation Outlet (BRIGO) study, Southwest Minnesota to Twin Cities EHV Development study, Southeastern Minnesota – Southwestern Wisconsin Reliability Enhancement Study, American Transmission Company (ATC) Access Project study, NW Exploratory study, Iowa-Southern Minnesota exploratory study. The transmission upgrades proposed in these studies are corresponding to their generation scenario assumptions.

The West RSG is a collaborative effort of MISO staff, the MISO Transmission Owners, stakeholders, regulatory staff and a voluntary participation of SEAMS transmission owners to direct the studies for the MISO Transmission Expansion Plan. Midwest ISO is trying to roll the results of all the above exploratory studies into one study – West RSG Exploratory Study. This collaborative study will be included in MTEP for information purpose. The Goal of this collaborative study is to determine if transmission needs to be built for energy delivery, REO or economics. It can also determine multi-use requirements that may not be supportable by a single entity.

The West RSG study is based on the MAPPMAIN reduced footprint, the topology is shown in the above figure, a total of 34 companies are included in the MAPPMAIN reduced footprint.

### **FUEL FORECAST<sup>3</sup>**

The source for the fuel forecasts in the Powerbase database is the Platt's database, Henry hub forecasts and EIA forecasts. New Energy Associates (NEA) contracts with Platt's for various fuel forecasts. NEA starts with Platt's forecasts for natural gas and then uses the basis differential inherent in Platt's forecast for Natural Gas combined with NYMEX Henry Hub futures prices for the first 18 months of the forecast. For the forecast beyond 18 months, the Energy Information Administration (EIA) natural gas forecast for the Henry Hub serves as the base index. The basis differential to each area are then applied against the EIA forecast of the Henry Hub prices.

West RSG study will be a multi-year study. The base case is set at year 2020. Starting from the 2011 fuel forecast in the Powerbase, we scaled the gas price within MAPPMAIN footprint to \$9.00/mmBtu. As we added new coal plants into the CAPX study the coal price used is \$1.77/mmBtu. All the new coal plants should run at a 60% and above

---

<sup>3</sup> Platts Fuel Forecasting methodology, found on NEA PowerBase support web site

capacity factor range. Based on this assumption, the Boswell Energy Center Coal price is set as \$1.77/mmBtu and all other coal prices are adjusted accordingly.

## LOAD FORECAST

The CAPX companies provided the 2020 load forecast for the following control areas: ALTW, NSP, MP, SMMP, GRE, OTP and DPC. In PROMOD, there are two companies within the OTP control area: Otter Tail Power Co. and Minnkota Power Coop. The load forecast for OTP control area is then distributed to two companies respectively. The detailed load forecast for all CAPX companies are listed in Table 32. Other companies' load forecast stay as 2011 load forecast from Powerbase.

Table 32

	Peak Load at 2020 (MW)	Annual Energy in 2020 (GWH)
GRE	3894	19677.3
ALWST	3888.2	19728.2
DPC	1266.2	6675.0
MPL	1814.4	12674.0
NSP	12885.1	67017.6
SMMP	442.4	2512.8
MPC	1080.8	7048.4
OTP	1167.5	6844.0
Total	26438.6	142177.3

## GENERATING UNITS AND PARAMETERS

### Existing Units

Typically as a part of PROMOD model development process, MISO verifies generators in the default Powerbase database against the MISO loadflow models. Stakeholders are involved in this process: Expansion Planning Working Group (reporting to Planning Sub-Committee) is sent a list of generators mapped to load flow models and member comments are solicited. Different Regional Study Groups (RSG) are also involved at times. MISO has 3 RSG's: Central, East and West modeled according to the Operation regions. For the CAPX study the West RSG helped verify generators in the CAPX study area.

### New units for West RSG study

To serve the increased load in West RSG area (around 6000MW load increase), Generation Interconnection requests submitted in MISO queue are recommended as a generation scenario. These requests are distributed in West region (except Wisconsin), and the total capacity is 6689 MW, in which 2948 MW is renewable resource. All new generators are created from the similar existing generators in Powerbase, with the fuel set as \$1.77/mmBtu for coal generators and \$9.00/mmBtu for Gas turbine. The detailed list of new generators can be found in Appendix B.

## **TRANSMISSION UPGRADES**

West RSG study is based on MTEP06 Phase 2 power flow model. In corresponding to the new generation/load increase, the following transmission upgrades are added, which are based on the recommended facilities from several studies in West region.

- Big Stone II interconnection/delivery upgrades (Alternative 1)
- Common facility upgrades recommended both in Minnesota and North/West bias scenarios in CapX 2020, Boswell-Wilton 230kV line is also included;
- Facility upgrades recommended in Buffalo Ridge Incremental Generation Outlet (BRIGO) study;
- Facility upgrades recommended in Southwest Minnesota to Twin Cities EHV Development study;
- Facility upgrades recommended in Southeastern Minnesota – Southwestern Wisconsin Reliability Enhancement Study;
- Some facility upgrades recommended in ATC Access project study, including Paddock-Rockdale project (P-R), LaCrosse-Columbia project (portion of Prairie Island-Columbia), and Salem-North Madison (S-NM) project.
- Some facility upgrades recommended in Iowa-Southern Minnesota exploratory study, including Hazelton-Salem, Salem-Nelson Dewey-Spring Green 345 kV lines.

The line list for these projects can be found in Table 33.

Table 33: New Transmission Lines in West RSG Study

From	To	kV	Miles	Comments
Alexandria	Monticello	345		CapX
Alexandria	Maple River	345	126	CapX
Antelope Valley	Maple River	345	292	CapX
Arrowhead	Chisago	345	120	CapX
Arrowhead	Forbes	345	60	CapX
Benton County	Chisago County	345	59	CapX
Benton County	Granite Falls	345	110	CapX
Benton County	St. Boni	345	62	CapX
Blue Lake	Ellendale	345	200	CapX
Chisago County	Prairie Island	345	82	CapX
Columbia	N. LaCrosse	345	80	CapX, ATC
Ellendale	Hettinger	345	231	CapX
Rochester	N. LaCrosse	345	60	CapX, ATC, SE_MN-SW_WI, ISMN
Prairie Island	Rochester	345	58	CapX, ATC, SE_MN-SW_WI, ISMN
Boswell	Wilton	230		CapX
Big Stone	Ortonville	230		BS II
Ortonville	Johnson Jct.	230		BS II
Johnson Jct.	Morris	230		BS II
Big Stone	Canby	230		BS II
Canby	Granite Falls	230		BS II
Alexandria		345/115		CapX
Alex	Sauk Ct	115	25	CapX
Sauk Ct	Melrose	115	10	CapX
Melrose	Albany	115	15	CapX
Albany	W. St. Cloud	115	25	CapX
Lk Yankton	Marshall	115		BRIGO
Nobles	Fenton	115		BRIGO
Nobles	Nobles	345/115		BRIGO
Marshall SW Sub				MRES
Brookings Co	Lyon Co	345		CAPX (SW_MN-TC)
Lyon Co	Franklin	345	double	CAPX (SW_MN-TC)
Franklin	Helena	345	double	CAPX (SW_MN-TC)
Helena	Lk Marion	345		CAPX (SW_MN-TC)
Lk Marion	Hampton Corner	345		CAPX (SW_MN-TC)
Lyon Co	Hazel	345		CAPX (SW_MN-TC)
Brookings Co	Yankee	115		CAPX (SW_MN-TC)
Brookings Co	Toronto	115		CAPX (SW_MN-TC)
Hazelton	Salem	345	70	ISMN
Salem	N Madison	345		ATC, ISMN
Paddock	Rockdale	345		ATC
Lakefield	Winnebago	345		ISMN
Winnebago	Hayward	345		ISMN
Hayward	Adams	345		ISMN

## APPENDIX B - WEST RSG STUDY NEW GENERATING UNITS

---

MISO Project Num	Bus numb	Bus name	Pmax	Pmin	Qmax	Qmin	MISO Queue Date	Control Area	County	State	In Service Date	Study Status	IA Status	Project manager	Interconnection Service Type	Fuel Type
<b>NE group</b>																
G424	61710	MINNTAC7	100	0	0.00	0.00	19-Apr-04	MN	St. Louis	MN	01-Dec-06	FEC SIC FE		Diwakar Tewari	ER	Wind
G509	61705	BABBITT7	75	0	0.00	0.00	18-Mar-05	MP	St. Louis	MN	01-Aug-06	FEC SIE		Diwakar Tewari	NR	Wind
G519	61625	BLCKBRY4	580	0	190.64	-190.64	19-May-05	MP	Itasca	MN	01-Apr-09	SIE		Diwakar Tewari	NR	Coal and/or a blend of Petroleum coke and coal
G591_592	60101	FORBES 2	800	0	262.95	-262.95	25-Jan-06	MP	St. Louis	MN	01-Mar-13	FEP		Raja Srivastava	NR	Coal
G597	61625	BLCKBRY4	606	0	199.18	-199.18	14-Feb-06	MP	Itasca	MN	01-Jan-13	FEP		Ron Arness	NR	Coal
G600	63254	VIKING 7	110	0	0.00	0.00	16-Feb-06	OTP	Marshall	MN	31-Dec-08	FEP		Ron Arness	ER	Wind
<b>ND group</b>																
G380	63279	RUGBOTP7	150	0	0.00	0.00	21-Nov-03	OTP	Pierce	ND	01-Dec-05	IC/FC	IAF	Kun Zhu	ER	Wind
G531	63049	STANTON4	80	0	26.29	-26.29	01-Jul-05	GRE	Mercer	ND	01-Apr-09	SIE		Raja Srivastava	NR	Coal
G581	66791	CENTER 3	600	0	197.21	-197.21	27-Dec-05	MP	Oliver	ND	01-Jan-15	FEP		Raja Srivastava	NR	Coal
G607	67316	COYOTE 3	25	0	8.22	-8.22	01-Mar-06	OTP	Mercer	ND	25-Oct-08	FEP		Ron Arness	NR	Coal
<b>Group 4</b>																
G389	63043	ELK RIV4	200	0	65.74	-65.74	03-Nov-03	GRE	Sherburne	MN	01-Jan-07	IP		Raja Srivastava	NR	Natural Gas
G390	63043	ELK RIV4	100	0	32.87	-32.87	03-Nov-03	GRE	Sherburne	MN	01-Jan-09	IP		Raja Srivastava	NR	Natural Gas
G417	60896	SHAKOPE8	15	0	4.93	-4.93	22-Mar-04	NSP	Scott	MN	31-Dec-05	IP		Raja Srivastava	NR	biomass
G474	63220	ELBOWLK7	20	0	0.00	0.00	01-Oct-04	OTP	Grant	MN	01-Nov-05	IP		Raja Srivastava	NR	Wind
G489	60119	LKYKNTN7	20	0	0.00	0.00	19-Jan-05	NSP	Lyon	MN	01-Oct-06	IP		Raja Srivastava	NR	Wind
G491	60715	CHANRMB9	150	0	0.00	0.00	29-Dec-04	NSP	Pipestone	MN	01-May-07	FEP		Raja Srivastava	NR	Wind
G502	66752	DRAYTON4	50	0	0.00	0.00	14-Mar-05	MP	Oliver	ND	01-Nov-05	SIC FE		Raja Srivastava	NR	Wind
G514	60331	LKFLLDXL3	200	0	0.00	0.00	20-Apr-05	NSP	Jackson	MN	01-Oct-06	FEE		Raja Srivastava	NR	Wind
G517	34226	STORDEN8	150	0	0.00	0.00	02-May-05	ALTW	Cottonwood	MN	01-Oct-06	SIE		Raja Srivastava	NR	Wind
G518	62371	WLKFLLTP	8	0	0.00	0.00	02-May-05	GRE	Jackson	MN	01-Nov-06	FE		Raja Srivastava	NR	Wind

MISO Project Num	Bus numb	Bus name	Pmax	Pmin	Qmax	Qmin	MISO Queue Date	Control Area	County	State	In Service Date	Study Status	IA Status	Project manager	Interconnection Service Type	Fuel Type
G520	60119	LKYNNKTN7	150	0	0.00	0.00	20-May-05	NSP	Lyon	MN	31-Dec-06	SIE		Raja Srivastava	NR	Wind
G530	34164	GR JCT 9	14	0	0.00	0.00	15-Jun-05	ALTW	Greene	IA	01-Sep-06	IP		Raja Srivastava	NR	Wind
G532	62792	ODIN	19.95	0	0.00	0.00	06-Jul-05	ALTW	Cottonwood /Watonwan	MN	01-Sep-06	IP		Raja Srivastava	NR	Wind
G536	62371	WLKFLLTP	20	0	0.00	0.00	20-Jul-05	ALTW	Jackson	MN	01-Oct-06	SIE		Raja Srivastava	NR	Wind
G538	34137	TRIBOJI5	150	0	0.00	0.00	08-Aug-05	ALTW	Dickinson	IA	01-Oct-06	FEP		Raja Srivastava	NR	Wind

Group 5

G540	34015	LIME CK5	80	0	0.00	0.00	01-Sep-05	ALTW	Worth	IA	31-Dec-07				NR	Wind
G548	34015	LIME CK6	80	0	0.00	0.00	17-Sep-05	ALTW	Worth	IA	31-Dec-06				NR	Wind
G551	34371	RICE 8	100	0	0.00	0.00	27-Sep-05	ALTW	Howard	IA	01-Sep-07				NR	Wind
G552	62053	MAPLE H8	50.4	0	0.00	0.00	28-Sep-05	ALTW	Emmet	IA	01-Aug-06				NR	Wind
G555	66555	MORRIS 7	100	0	0.00	0.00	24-Oct-05	OTP	Stevens	MN	01-Nov-07				NR	Wind
G573	64239	FRANKLN5	80	0	0.00	0.00	09-Dec-05	ALTW	Franklin	IA	01-Oct-06				NR	Wind
G574	64239	FRANKLN6	80	0	0.00	0.00	09-Dec-05	ALTW	Franklin	IA	30-Sep-07				NR	Wind
G575	64239	FRANKLN7	40	0	0.00	0.00	09-Dec-05	ALTW	Franklin	IA	01-Oct-06				NR	Wind
G576	60128	SPLT RK5	40	0	0.00	0.00	12-Dec-05	GRE	Rock	MN	01-Sep-07				ER	Wind
G586	60050	YANKEE 1	30	0	0.00	0.00	30-Dec-05	NSP	Lincoln	MN	01-Jun-07				NR	Wind
G587	60728	FRANKLN8	20	0	0.00	0.00	30-Dec-05	NSP	Sibley	MN	01-Jun-07				NR	Wind
G589	34018	HAZLTON3	750	0	246.51	-246.51	12-Jan-06	ALTW	Black Hawk	IA	01-Dec-09				NR	Coal
G593	34007	LAKEFLD5	100	0	0.00	0.00	07-Feb-06	ALTW	Jackson	MN	01-Oct-07				NR	Wind
G594	62369	ROUND LK	50	0	0.00	0.00	07-Feb-06	GRE	Jackson	MN	01-Oct-07				NR	Wind
G595	34139	HANCOCK5	210	0	0.00	0.00	13-Feb-06	ALTW	Hancock	IA	30-Jul-07				ER	Wind
G602	60369	FENTON	31.5	0	0.00	0.00	23-Feb-06	NSP	Nobles	MN	01-Nov-07				NR	Wind
G604	62886	OWATONNA	47.5	0	0.00	0.00	27-Feb-06		Steele	MN	01-Nov-06				ER	Wind
G608	60760	PAYNES8	6.3	0	0.00	0.00	02-Mar-06		Pope	MN	01-Oct-06				ER	Wind
G612	34071	FERNALD7	150	0	0.00	0.00	20-Mar-06	ALTW	Story	IA	31-Aug-07				ER	Wind
G614	34008	FOX LK5	250	0	0.00	0.00	24-Mar-06	NSP	Emmet/Dickinson	IA	01-Jul-07				NR	Wind

Exira #3	67469	EXIRA 3G	40	0				MRES			1-Jun-07					Gas
----------	-------	----------	----	---	--	--	--	------	--	--	----------	--	--	--	--	-----

## APPENDIX C – METHOD FOR CONVERTING WIND SPEED DATA TO WIND GENERATION

---

Meteorological simulations for creating chronological wind speed data has greatly enhanced the value of wind integration studies. It is not possible to generate a separate wind speed profile for each turbine in the wind generation scenario. Each profile, therefore, must represent a number of turbines located in the general vicinity of the model extraction point.

The objective of this exercise is to determine a method for calculating hourly wind generation from the measured wind data. The turbine power curve from Figure 56 is used.

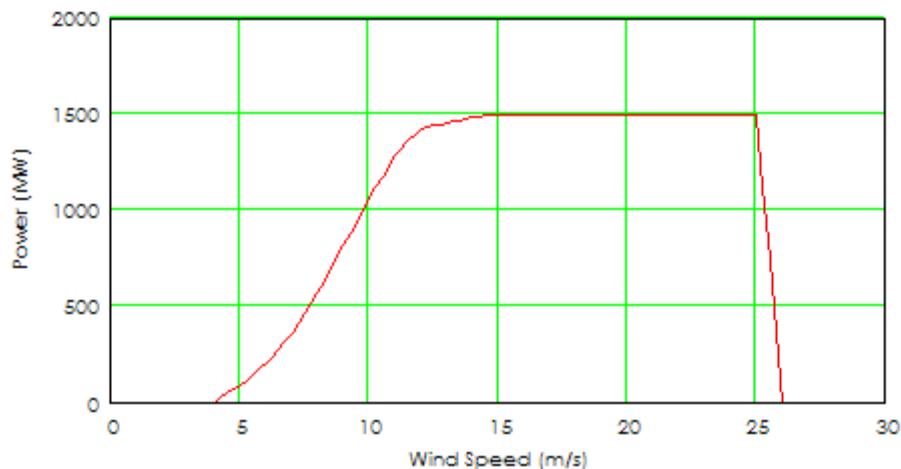


Figure 56: Turbine power curve used for calculating generation data from wind speed measurements.

Measurement data from an operating wind plant with 30 of the turbines referenced above, consisting of wind speed and plant power at ten minute intervals was processed to create a “plant” power curve. This curve is shown in Figure 57.

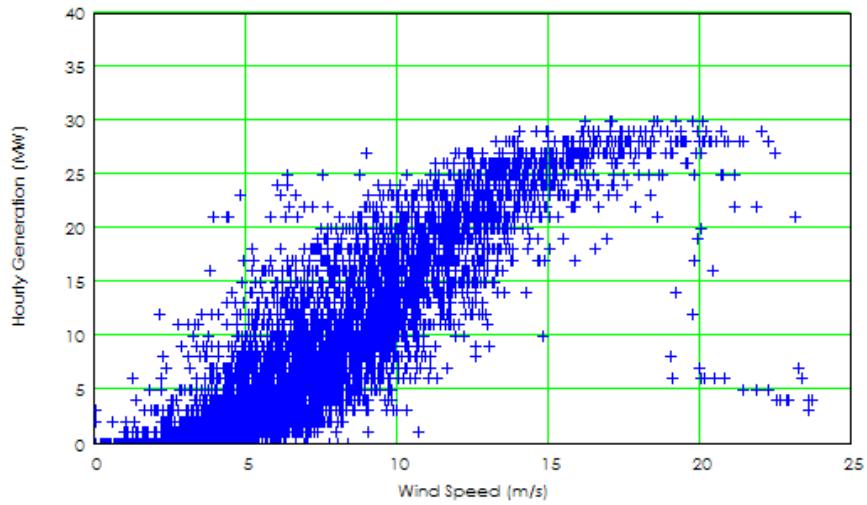


Figure 57: Empirical “Power Curve” for wind plant from measured values.

Figure 58 shows the results of applying the power curve from Figure 56 (scaled appropriately) to 10-minute wind speed data, then aggregating the results to hourly average values. The striking feature of this figure is the “fuzziness.” If the wind speed data were averaged to hourly values before applying the power curve, the characteristic would match that shown in Figure 56: Turbine power curve used for calculating generation data from wind speed measurements.. The difference, of course, is that the mathematical operations are not the same because of the nonlinear nature of the turbine power curve.

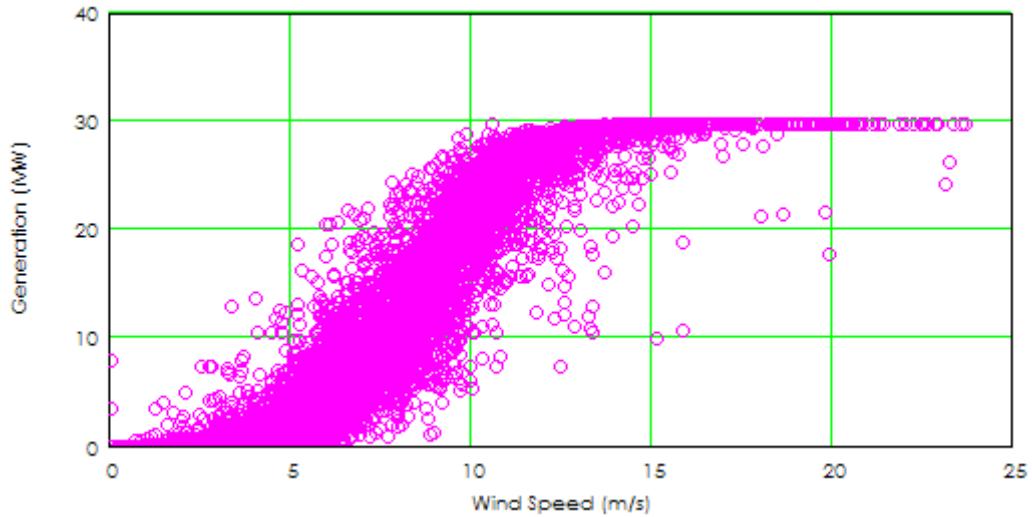


Figure 58: Wind plant “power curve” calculated from 10-minute wind speed values.

A closer comparison (Figure 59) of the calculated and measured wind generation reveals that the simple transformation from wind speed to power using a single power curve and wind speed value leads to a calculated value that is higher than the actual, and a

tendency to “saturate” during periods of high wind, sometimes unlike the measured data. A computation of the energy delivered shows that the calculated value is about 25% higher than what was actually metered.

Figure 60 illustrates this qualitatively. The “knee” of the calculated plant power curve is much more pronounced, although the “fit” is reasonable at lower power levels. Therefore, shifting the plant power curve to the right to approximately account for the diversity of wind speeds over the plant area would degrade the fit at lower wind speed levels.

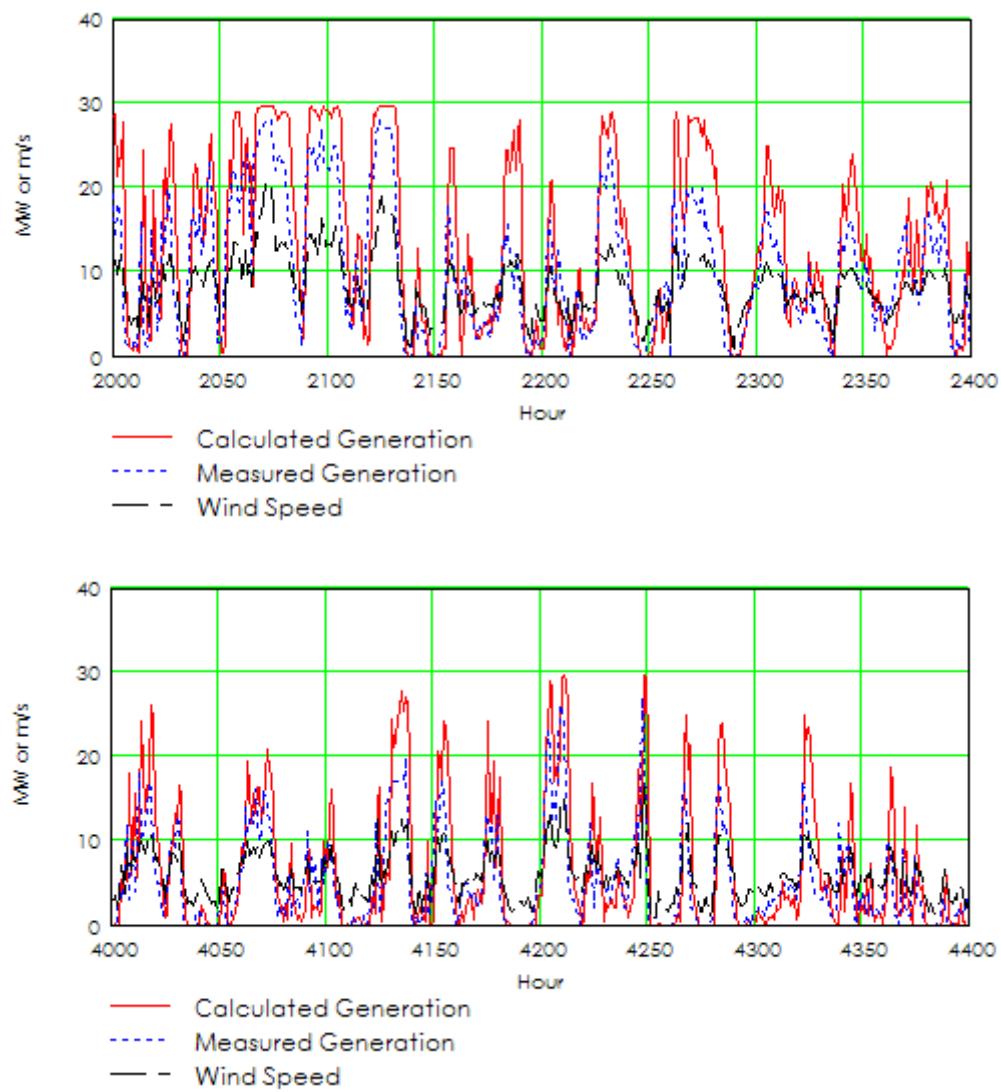


Figure 59: Calculated vs. Measured wind generation.

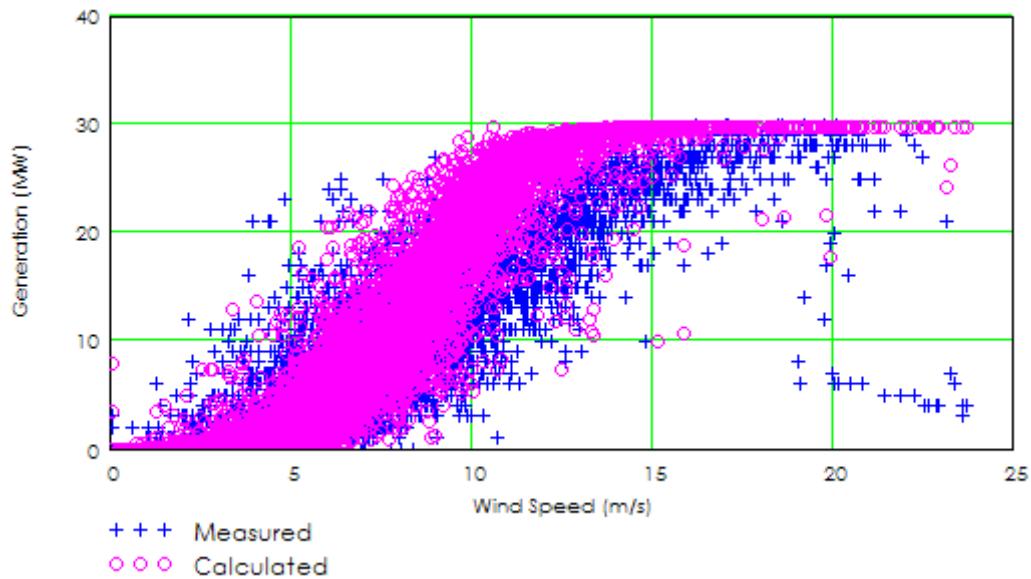


Figure 60: Measured and calculated plant power curves.

A better fit between the calculated and measured plant power curves (as well as the time series data) can be achieved by modifying the measured wind speed prior to applying the power curve. The modification consists of applying an exponent slightly less than one to the measured wind speed value. Figure 61 illustrates this for an exponent of 0.95. Note that the effect on low values of wind speed is much smaller than for larger ones. Also, for values well above the rated turbine wind speed, the modification makes no difference in the power calculation.

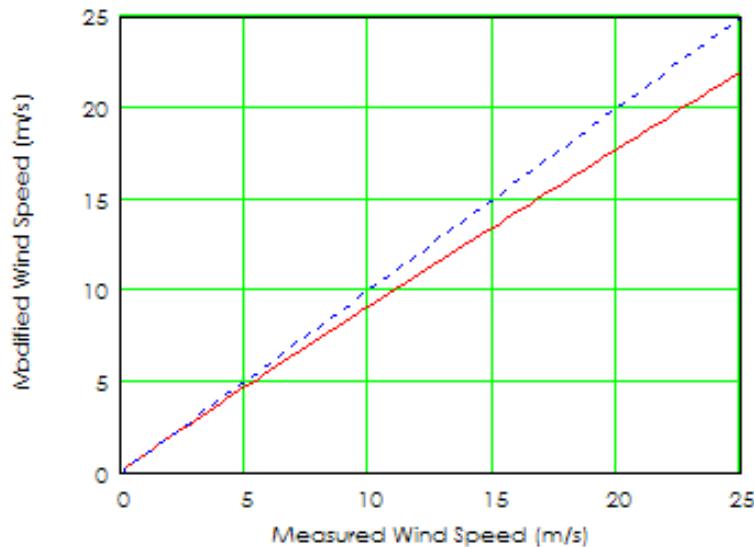


Figure 61: Exponential modification of measured wind speed.

The comparison of measured and actual power curves using this modification is shown in Figure 62. The calculated energy over the entire year for the calculated data differs by less than 1% from the measured data.

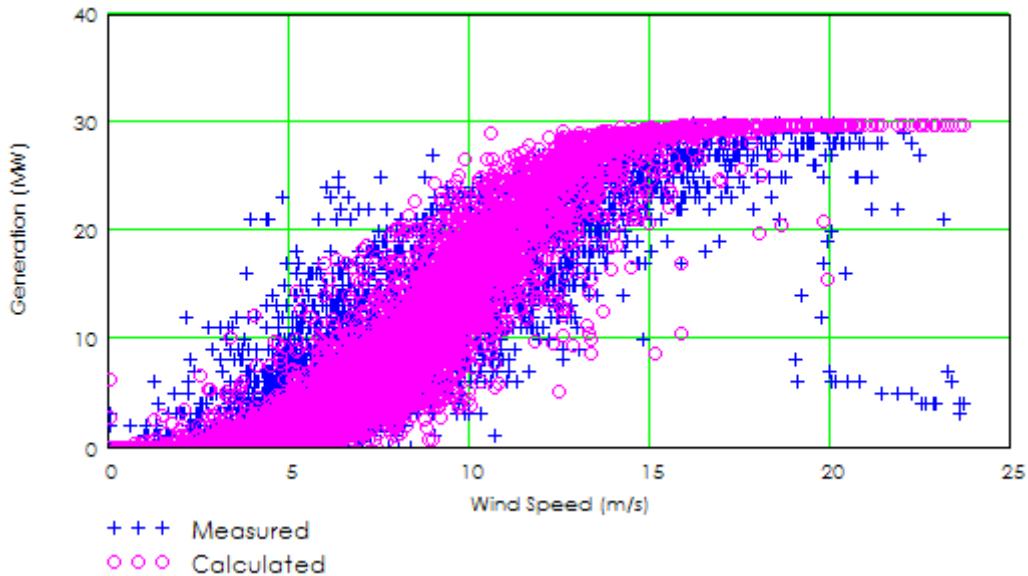


Figure 62: Measured and modified calculated plant power curves.

The improvement is also evident in the time series data. Figure 63 shows the same time periods from Figure 59, with the calculated value here based on a modified wind speed value. The improvement over the very simplified method using just the single turbine power curve is evident.

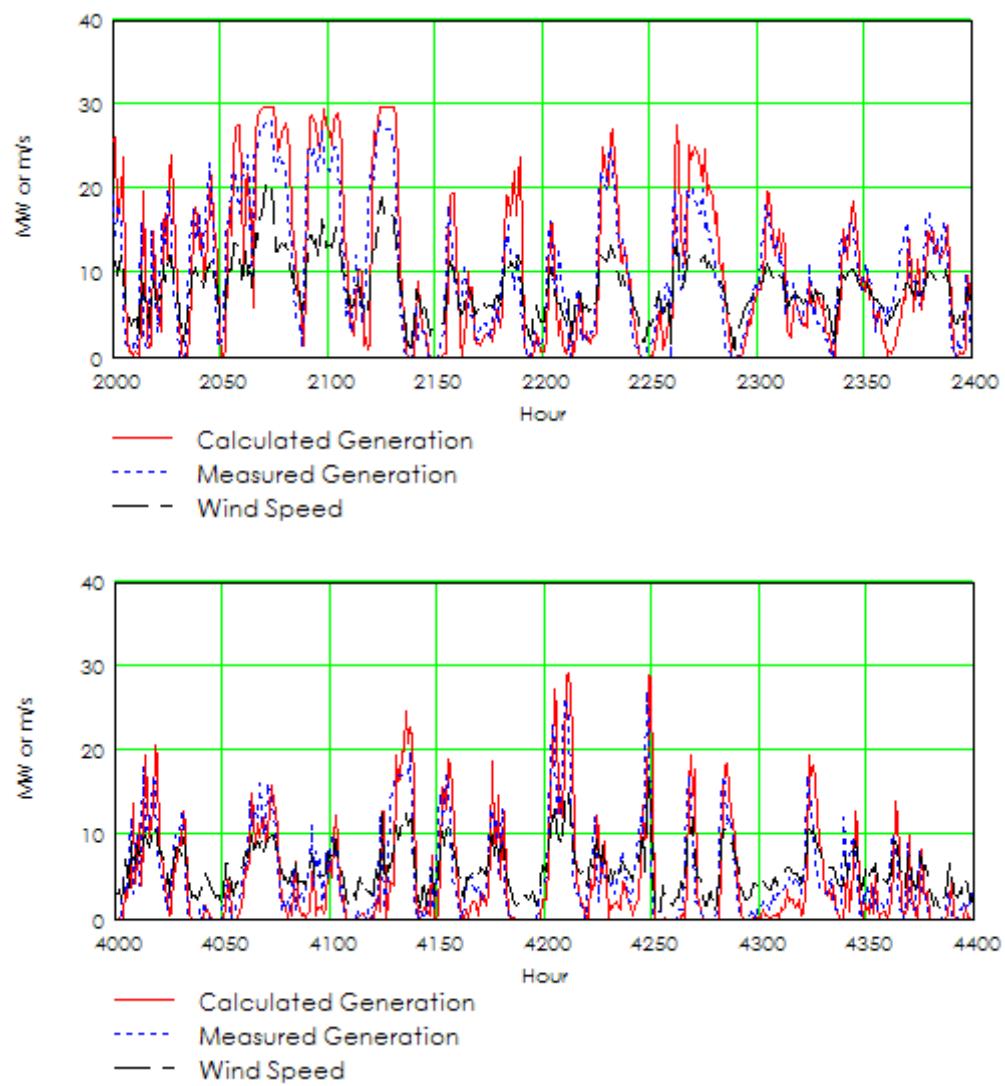


Figure 63: Comparison of measured wind generation to that calculated with wind speed modification.

=