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Economic Dispatch for Operating Cost Minimization under Real Time Pricing in Droop Controlled DC Microgrid

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Abstract— In this paper, an economic dispatch problem for total operation cost minimization in DC microgrids is formulated. An operating cost is associated with each generator in the microgrid, including the utility grid, combining the cost-efficiency of the system with demand response requirements of the utility. The power flow model is included in the optimization problem, thus the transmission losses can be considered for generation dispatch. By considering the primary (local) control of the grid-forming converters of a microgrid, optimal parameters can be directly applied to this control level, thus achieving higher control accuracy and faster response. The optimization problem is solved in a heuristic method. In order to test the proposed algorithm, a six-bus droop-controlled DC microgrid is used in the case studies. Simulation results show that under variable renewable energy generation, load consumption and electricity prices, the proposed method can successfully reduce the operating cost by dispatching economically the resources in the microgrid.

Index Terms— DC microgrids, demand response, economics, optimal power flow, genetic algorithm

<div align="center">NOMENCLATURE</div>

MGCC	Microgrid Centralized Controller
DG	Distributed Generation unit
ESS	Energy Storage System
$C_{utility}$	Operating cost of the power from utility
C_{ESS}	Operating cost of the storage system
C_{FC}	Operating cost of the fuel cell
C_{loss}	Cost of the transmission power losses
C_{total}	Total operating cost of the microgrid
λ_{buy}	Real-time utility electricity price
λ_{sell}	Price of the electricity sold to the utility
$P_{utility}$	Power exchanged with the utility
P_{ESS}	Power exchanged by the storage system
$P_{renewable}$	Power from renewable energy sources
$P_{Gi(DC)}$	Generating power by the i-th unit
$P_{Di(DC)}$	Consumed power by the i-th unit
P_{loss}	Transmission power losses
$P_{Gi(DC)}$	Power generated by the i-th unit
$P_{i(DC)}$	Injection power by the i-th unit
ΔT	Number of optimization cycles in an hour
η_{ch}	Efficiency during charging mode
a_{ch}, b_{ch}	Linear coefficients of charge mode
η_{dis}	Efficiency during discharging mode
a_{dis}, b_{dis}	Linear coefficients of discharge mode
a_{FC}, b_{FC}, c_{FC}	Coefficients of the fuel cell operating cost
$I_{Gi(DC)}$	DC current to DC source
$I_{i(DC)}$	DC injection current in bus i
$N_{g(DC)}$	Number of dispatchable DG buses in DC microgrid
$N_{p(DC)}$	Number of P buses in DC microgrid
$R_{vi(DC)}$	Virtual resistance in DC microgrid
R_{line_ij}	Line resistance for line ij
$V_{i(DC)}$	Voltage magnitude in bus i
$V_{Gi(DC)}$	Output voltage to DC source
$V_{G0i(DC)}$	Nominal output voltage to DC source
$Y_{ij(DC)}$	Admittance between the bus i and bus j

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I. INTRODUCTION

NOWADAYS, with awakened increasing awareness of the environmental problems, Distributed Generators (DG) based on renewable energy sources are gaining more and more popularity. With anticipated high penetration of DGs, the traditional power system architecture consisting of large generation plants, transmission and distribution networks will be replaced by several microgrids in an intergrid scenario [1]-[3]. In this revolution, power electronic technology plays a fundamental role to match the different DGs output characteristics according to utility and customers' requirements. This issue becomes more salient when more and more modern loads, such as LEDs and power electronics devices, are installed in the building sector characterized by commercial
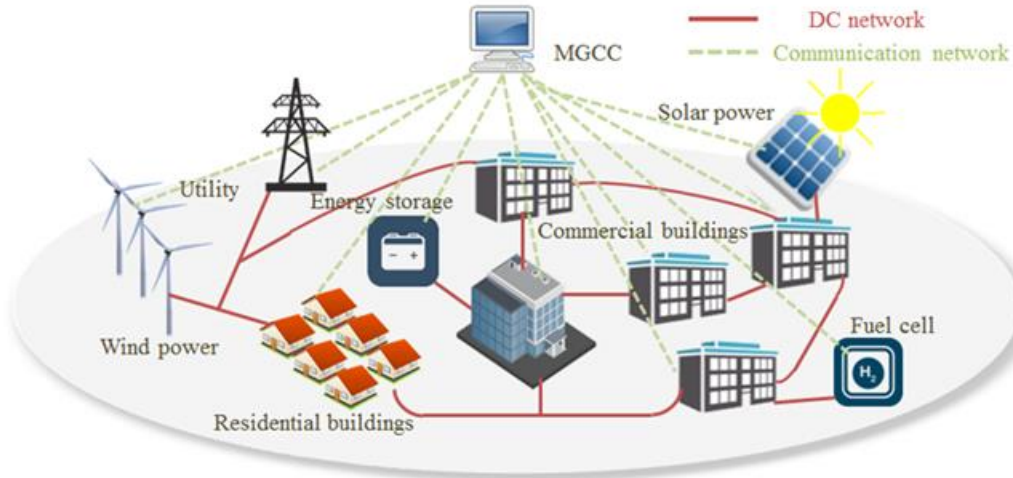
Fig. 1. Schematic of a DC microgrid operating at 380 V DC

TABLE I
INTERFACED RENEWABLE ENERGY SOURCES TYPOLOGIES

Table 1 Interfaced renewable energy sources typologies

Conversion Classification	Converter Type
DC bus to low voltage DC load	DC-DC buck converter
Wind power to DC bus	AC-DC rectifier
Fuel cell to DC bus	DC-DC boost converter
DC bus to/from ESS	DC-DC buck-boost converter
PV cell to DC bus	DC-DC boost converter

centres, data centres, residential communities and other similar facilities. To enhance system efficiency, considering the increasing energy demand to be supplied to more sophisticated appliances, DC distribution systems are proposed to interconnect DGs with modern loads, most of which are originally in DC. Previous research activities point out that using a common DC bus to supply different sources provides a simple structure with high efficiency, control and more reliable protections [4]-[6].

The DC microgrid, which will represent the fundamental element of the future intergrid, is expected to supply the loads at two DC voltage levels: a high-voltage bus and a low-voltage bus [7]-[10]. Low-voltage level operates at 48 V to meet the requirements of the majority of low voltage appliances, e.g. standard Telecom Communication (TLC) applications, portable computers, low power consumer electronics and light-emitting diode (LED) lighting. On the other hand, high power loads in commercial or residential buildings are supplied by a high-voltage bus operating between 360 V and 400 V DC, in order to reduce power losses. The rated voltage of 380 V DC is set to supply a huge amount of energy and comply with the voltage level in data centers [11]. This voltage level can be taken as the distribution voltage level in an intergrid based on DC microgrids. Fig. 1 shows a schematic of a DC grid operated at 380 V DC. The main components are represented by DGs based on renewable sources like solar and wind, battery Energy Storage Systems (ESS) and fuel cells. All these devices require a power converter to exchange energy within the microgrid. The necessary interfaced converters to connect different sources and loads are listed in Table I. Besides the electrical connections, a hierarchical communication control with low-speed data exchange is needed. By gathering the necessary

information, like real-time electricity prices and load profiles, the energy manager can optimize the renewable energy utilization and increase system efficiency by means of economic dispatch.

II. SYSTEM OPERATION COST COMPOSITION

A typical DC microgrid consists of a point of common coupling connected to the utility, and various DGs, such as battery ESS, fuel cells, wind power and PV systems. By neglecting the maintenance cost of these components, the correspondent operating costs can be identified as follows.

A. Utility Power Cost

By considering the utility grid as a generation unit, its operating cost can be assessed according to the market price. With the development of "smart grid ready" technologies, including smart meters and technologies for bidirectional communications, customers can have access to real-time electricity prices and be involved more proactively with the power supplier in order to minimize the electricity cost [23]. Real-time pricing is one of the new forms of agreement between the customers and the supplier, which allows real-time demand response [24]. In this way, the operating cost of the power supplied by the utility in a corresponding control period ($C_{utility}$) can be modelled as:

$$
C_{utility} = \begin{cases} \dfrac{\lambda_{buy} P_{utility}}{\Delta T}, & P_{utility} > 0 \\[3mm] \dfrac{\lambda_{sell} P_{utility}}{\Delta T}, & P_{utility} < 0 \end{cases}
\tag{1}
$$

where λ_{buy} is the real-time utility electricity price, and λ_{sell} is the price of electricity sold by the microgrid to the utility. Since the price here considered is hourly based, the optimization interval must be shorter than one hour, and thus the specific cost in one optimization interval is calculated by dividing for ΔT , where ΔT is the number of optimization cycles in an hour.

B. Energy Storage Cost

In this work, the operating cost of the ESS is modelled

according to system efficiency. The major factors that influence its efficiency are the charging rate and the State of Charge (SOC), which can be modelled with the following linear relationship [16]:

$$\eta_{ch} = a_{ch} - b_{ch}P_{ESS} \qquad (2)$$

where η_{ch} is the charging efficiency, a_{ch} and b_{ch} are the linear coefficients of charging mode, and P_{ESS} is the measured power flow from the DC microgrid to the ESS at its output terminals. This approximation considers only the charging rate, which is reasonable when dispatching is performed in a quasi-instantaneous way, since it has a large impact on the efficiency. On the other hand, during discharging mode, the efficiency in (2) can be rewritten as:

$$\eta_{dis} = a_{dis} + b_{dis}P_{ESS} \qquad (3)$$

where η_{dis} is the discharging efficiency, a_{dis} and b_{dis} are the linear coefficients of discharging mode. The operating cost can now be calculated depending on the charging ($P_{ESS}>0$) or discharging ($P_{ESS}<0$) mode as follows:

$$C_{ESS} = \begin{cases} \dfrac{\lambda_{buy}(P_{ESS} - \eta_{ch}\,P_{ESS})}{\Delta T}, & P_{ESS} > 0 \\[2mm] \dfrac{\lambda_{sell}(P_{ESS} - P_{ESS}/\eta_{dis})}{\Delta T}, & P_{ESS} < 0 \end{cases} \qquad (4)$$

where C_{ESS} is the operating cost of the ESS.

C. Fuel cell costs

The fuel consumed by the fuel cell generators can be modelled according to a quadratic relationship of the output power [25]. Hence, the operating cost of this device can be modelled as follows:

$$C_{FC} = \frac{a_{FC}P_{FC}^2 + b_{FC}P_{FC} + c_{FC}}{\Delta T} \qquad (5)$$

where a_{FC}, b_{FC}, c_{FC} are all constant coefficients.

D. Renewable Energy Cost

The fuel cost of renewable energy is free. To maximize the renewable energy generation, the operating cost of them in this study is set to zero, due to its negligible value compared to the fuel cost associated to traditional generators. Notice here that the cost occurred by maintenance is not considered in the optimization.

E. Transmission Power Losses Cost

The transmission power losses do not belong to any generation unit. In fact, they are the result of how power is dispatched, which is actually incorporated explicitly in the utility cost, since an accurate power flow model is added as a constraint. To underline this issue, the following equation can be added to the system cost model:

$$C_{loss} = \frac{\lambda_{buy}P_{loss}}{\Delta T} \qquad (6)$$

being P_{loss} the transmission power losses. The exact transmission power losses can be calculated by running the power flow algorithm, which is further explained in the next section.
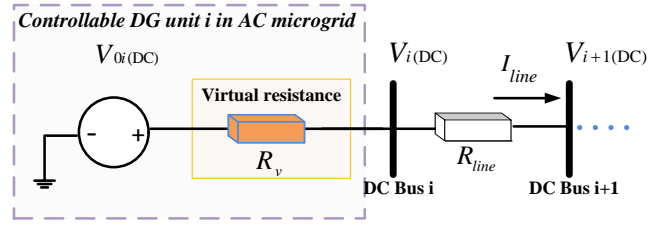

Fig. 2 Virtual resistance control concept in DC microgrids

III. POWER FLOW FOR DC MICROGRID

Power flow is an important tool not only for optimal planning but also to assure optimal operation [26]. In DC microgrid power flow modelling, two types of buses can be defined. All the loads and non-dispatchable DG units can be labelled as P buses. On the other hand, dispatchable DG units can be represented by dispatchable DG buses, which are assumed to work in droop control mode during normal operation.

Compared to AC microgrids, this droop control algorithm is not directly based on the generated power, but it is realized by feeding back the output current through a virtual resistance [1], [27], [28]. In AC microgrids, the virtual impedance is adopted to change the output impedance of the converter to cancel out the effect of active and reactive power coupling, as well as providing proper current sharing between power converters modules in case of line unbalance. On the other hand, in DC microgrids, virtual impedance is employed directly for power sharing, which is responsible for droop control.

In case of dispatchable DG buses, the concept of droop control using virtual resistance can be simplified as shown in Fig. 2. This regulation is expressed by [29], [30]:

$$V_{i(DC)} = V_{Gi(DC)} = V_{0i(DC)} - R_{vi(DC)}I_{Gi(DC)} \qquad (7)$$

where $V_{Gi(DC)}$ is the output voltage of a DC source, which is also the bus voltage in bus i, $V_{0i(DC)}$ is the nominal voltage, $I_{Gi(DC)}$ is the output current, and $R_{vi(DC)}$ is the virtual resistance in the dispatchable DG unit i. $I_{Gi(DC)}$ can be written as:

$$I_{Gi(DC)} = \frac{P_{Gi(DC)}}{V_{i(DC)}} \qquad (8)$$

where $P_{Gi(DC)}$ is the power generated by unit i.

The network of DC microgrids can be considered as pure resistive in the steady-state model. According to Kirchhoff's current law, the network equation for both types of buses can thus be written as follows:

$$I_{i(DC)} = \sum_{\substack{j=1 \\ j\neq i}}^{n} Y_{ij(DC)}(V_{i(DC)} - V_{j(DC)}) \qquad (9)$$

where $I_{i(DC)}$ is the DC injection current in bus i, $Y_{ij(DC)}$ is the

admittance between bus i and bus j, and $V_{i(DC)}$ is the voltage magnitude in bus i. In a unipolar DC microgrid, the injection power has the following relationship with the injection current:

$$P_{i(DC)} = V_{i(DC)} I_{i(DC)} \qquad (10)$$

Thus, (10) can also be written as:

$$P_{i(DC)} = V_{i(DC)} \sum_{\substack{j=1 \\ j \neq i}}^{n} Y_{ij(DC)} (V_{i(DC)} - V_{j(DC)}) \qquad (11)$$

For similarity, the non-dispatchable DG units can be interpreted as negative loads. Considering the real power balance of the system, the whole mathematical model can be formulated as follows:

$$V_{0i(DC)} - R_{vi(DC)} \frac{P_{Gi(DC)}}{V_{i(DC)}} - V_{i(DC)} = 0 \qquad (12)$$

$$P_{Gi(DC)} - P_{Di(DC)} - P_{i(DC)} = 0 \qquad (13)$$

The number of total mismatch functions is $N_{(DC)}$,as expressed in:

$$N_{(DC)} = 2 \times N_{g(DC)} + N_{p(DC)} \qquad (14)$$

where $N_{g(DC)}$ is the number of dispatchable DG buses, and $N_{p(DC)}$ is the number of P buses. The number of unknown variables should be equal to the number of mismatch functions in the model; in this way the power flow has a unique solution. The unknown variables include the voltage at each bus and the power generated from each dispatchable DG unit. Therefore, the system can be solved by trust-region dogleg algorithms, like for AC microgrids [22][31].

How different control parameters affect the whole system can be obtained by solving the equations of the power flow model. Finally, power transmission losses can be calculated by running the power flow.

IV. SYSTEM OPERATION COST COMPOSITION

A. Objective function

The objective of this study is to minimize the total operating cost in one optimization cycle in the context of real-time pricing. Accordingly, renewable energy resources, ESS and backup generation systems are coordinated in a highly efficient way, while still achieving demand response. Considering a microgrid in which each type of generation system has only one unit, the total cost can be calculated through $(1) - (6)$ as:

$$C_{total} = C_{utility} + C_{ESS} + C_{FC} + C_{loss} \qquad (15)$$

In this way the economic benefits of the microgrid owner can be maximized. This objective can be written as:

$$\underset{\text{Minimize}}{C_{total}} (x_i) \qquad (16)$$

where x_i indicates the optimization variables which are also the control variables of dispatchable units. Although nominal voltage $V_{0i(DC)}$ can also be controlled to achieve power regulation. Here the virtual impedance $R_{vi(DC)}$ of the grid forming unit is taken as the optimization variable, leading to the following problem formulation:

$$\underset{\text{Minimize}}{C_{total}} (u, R_{vi}) \qquad (17)$$

where u are, in general, the unknown state variables of the system, which can be calculated in the power flow analysis discussed in last section.

B. Constraints

The constraints of the optimization problem include the system constraints and those from each generation system. The first system constraint is the overall power flow balance, which can be written as:

$$P_{renewable} + P_{utility} + P_{FC} - P_{ESS} - P_{load} - P_{loss} = 0 \qquad (18)$$

This equation is satisfied by the convergence of the power flow algorithm using the method provided in [22]. The second system constraint considers the life cycle of the ESS. This component is not allowed to operate in discharging mode while energy is flowing from microgrid into the utility grid. The main reason is because it reduces the ESS efficiency if the energy flows through the batteries twice. Moreover, according to present normative in different countries, it is not allowed to discharge energy from batteries into the grid.

Additional constraints including droop control equation (12) and power balance equation (13), with the boundaries for R_{vi} and the DC voltage at each node $V_{i(DC)}$ are:

$$0 < R_{vi} < R_{vi,max} \qquad (19)$$

$$V_{i(DC),min} < V_{i(DC)} < V_{i(DC),max} \qquad (20)$$

For each dispatchable unit, the power delivered should be maintained within their respective capacity limits, which can be expressed as:

$$P_{utility,min} < P_{utility} < P_{utility,max} \qquad (21)$$

$$P_{ESS,min} < P_{ESS} < P_{ESS,max} \qquad (22)$$

$$0 < P_{FC} < P_{FC,max} \qquad (23)$$

All the inequality constraints are included in the model by adding a large value to the objective function as penalty whenever a bound is violated.

C. Heuristic optimization based on GA

Genetic Algorithm is chosen for optimization in this work. Compared to other similar optimization algorithms, some main advantages of GA can be identified [32][33]: i) the computation of the derivative of the objective function is not required, i.e. the opposite compared to optimization algorithms based on gradient method; ii) the risk to be trapped in local optimum is reduced; iii) a large number of variables can be processed while still providing a list of optimum solutions.

The basic idea of the algorithm is that better individuals of a population get higher chances to survive, which probability is proportional to a fitness function, strictly related to the objective function of the problem. Two main search operators known as crossover and mutation allow the algorithm to privilege exploration and exploitation, respectively. Crossover selects randomly a point on two binary strings (parents), splitting them at this crossover point. Children are then created by exchanging tails. On the other hand, mutation alters gene
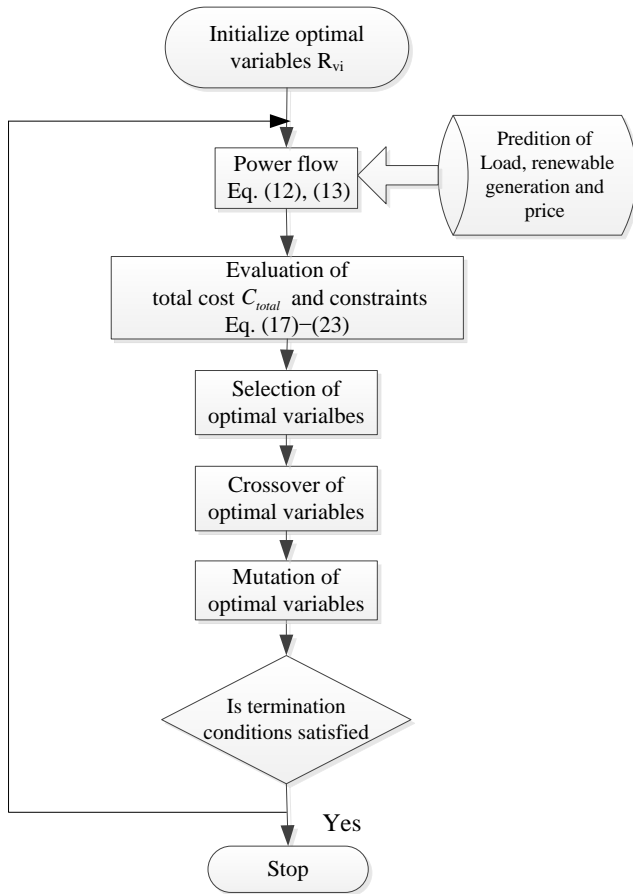
Fig. 3. Flow chart of the problem

independently according to a pre-defined probability. In Fig.3 a flow chart representation of the main steps involved in the optimization algorithm is reported.

V. CASE STUDY

A. Input Data

The proposed methodology is applied to minimize the operating cost of a 380 V six-bus DC microgrid as shown in Fig. 4. The test case consists of one P bus with renewable energy sources based on wind turbines and PV panels (Bus 1), three dispatchable DG buses interfaced with ESS (Bus 2), utility (Bus 3) and fuel cell (Bus 6), and two other P buses feeding the load (Bus 4 and 5). In this work the distributed generators and its interfaced converter are considered as a single component. Instead of using a traditional radial topology, the network adopts a meshed configuration to increase system reliability. Network data are given as listed in Table II. The capacity constraints of the DGs are reported in Table III.

To test the effectiveness of the algorithm in the context of time changing price, simulation tests are repeatedly conducted in a 24-hour span. The real-time data are taken from the website of the regional transmission organization PMJ [34], and the renewable generation data are obtained from Open Energy Information (OpenEI) [35]. The generation profiles of the wind turbines and solar panels at bus 2 and the load profiles at bus 4
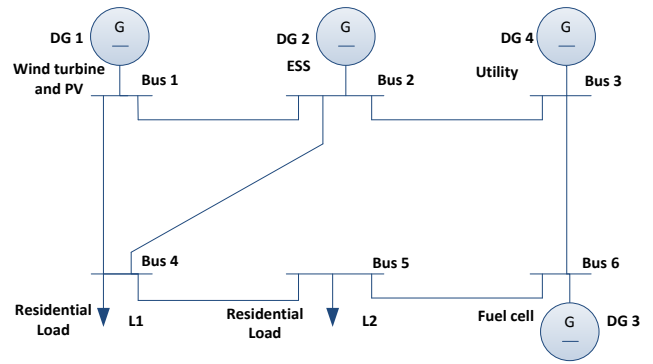

Fig. 4 Single line diagram of an example DC microgrid

TABLE II
LINES IMPEDANCE OF THE NETWORK

Line No.	From Bus	To Bus	R (pu)	Length (m)
1	1	2	0.0058	200
2	1	4	0.0087	300
3	2	4	0.004	140
4	4	5	0.0058	200
5	5	6	0.0029	100
6	3	6	0.0043	150
7	2	3	0.0049	170

TABLE III
CAPACITY LIMITS OF EACH GENERATION UNIT

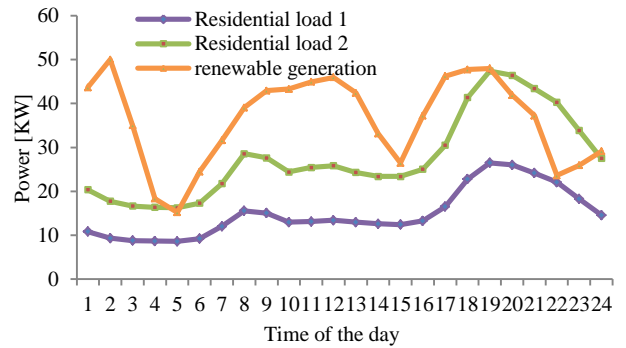| Generation Unit	Utility	Energy Storage	Fuel Cell
Capacity limits (KW)	(-30,30)	(-30,30)	(0,30)

Fig. 5. Load and renewable generation profile
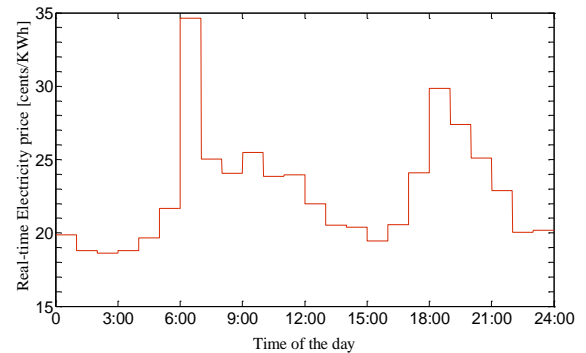
Fig. 6. Real-time price profile

TABLE IV
GENETIC ALGORITHM PARAMETERS

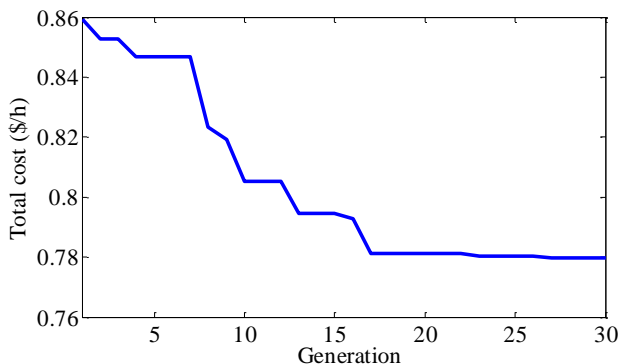| Parameter	
Number of population	12
Max number of generation	25
Mutation rate	0.2
Selection rate	0.5
Initialized R1/R2/R3	0.01/0.3/0.3Ω

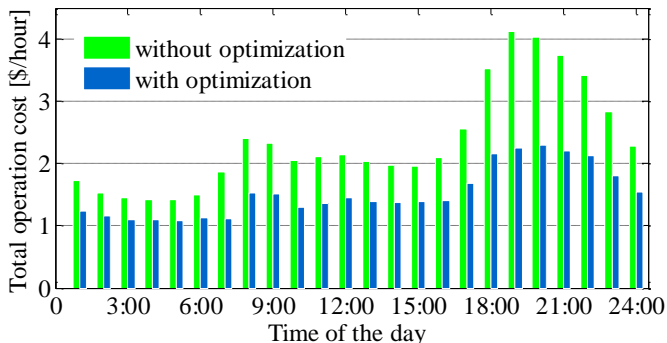Fig. 7. Convergence trace of the optimization algorithm for the 22th hour

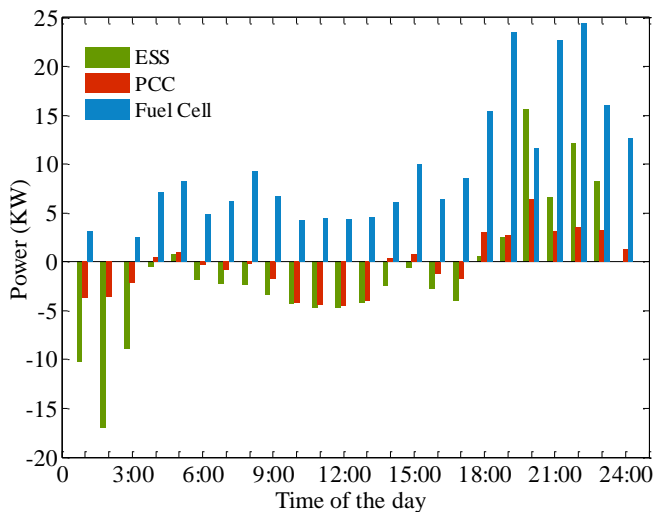Fig. 8. Total operation cost comparison.

Fig. 9 Optimal generation dispatch results

Fig. 10. Voltage profile of optimization results
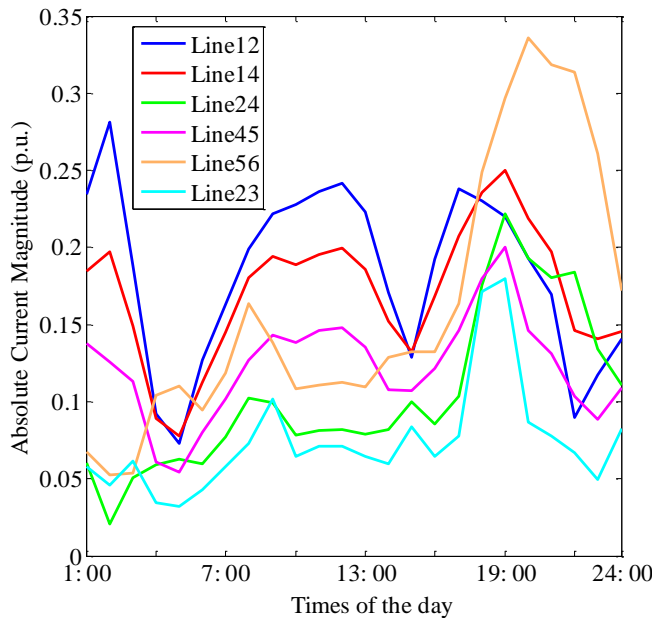
Fig. 11. Current profile of optimization results

and 5 are shown in Appendix, and in Fig. 5 and Fig. 6. Parameters related to GA for optimization are listed in Table 4. These parameters are chosen as a trade-off between optimization accuracy and computational time effort.

B. Results and discussion

Firstly, to test the performance of GA algorithm, optimization for a single hour is conducted based on the input data from the 22th hour. Fig. 7 shows the convergence trace of the proposed GA for optimal power flow algorithm. It can be seen that, after 25 generations, the total cost starts to converge.

The daily total operating cost using optimization is compared with the one without optimization, as shown in Fig. 8, in which the virtual impedance for utility, fuel cell, and energy storage is initially set at 0.1 Ω, 0.3 Ω and 0.3 Ω respectively. The

comparison shows that by dispatching optimally the resources, the total operating cost is considerably reduced. The dispatch results of each hour in a day are shown in Fig. 9, where no violation of the power constraints is observed. Fig. 10 and Fig 11 illustrate the voltage profile of each bus and current magnitude of each transmission line in these 24 scenarios, respectively. It can be seen that the voltage vacillation is within the allowable range and the current shows no violation either.

VI.   CONCLUSIONS

In order to improve the system efficiency of a 380 V DC microgrid network while participating in demand response, an optimal power flow problem is formulated. The cost function represents not only the operating cost within the microgrid

incurred by the fuel and efficiency of the components and the power flows in the transmission line, but also the demand response requirements from the utility by considering real-time pricing. The proposed algorithm is implemented by means of a heuristic method based on GA. A six-bus DC microgrid is tested to verify the proposed algorithm in a 24-hour span. Test results show that GA can find the optimal control parameters to optimally manage the dispatchable resources. Finally, the proposed algorithm successfully reduces the operating cost compared to the case study in which the system is managed without optimization.

APPENDIX

Table 5 shows the renewable generation, load profile, and real-time price profile [34][35]. The residential load data is calibrated according to the real data from OpenEI, and the renewable generation data is combining both the solar and wind generation according to the data got also from OpenEI, and the price data are referred to the real data from PJM Market Price Information

TABLE V
RENEWABLE GENERATION, LOAD AND REAL PRICE PROFILES

| hour	L1 [KW]	L2 [KW]	DGs [KW]	Price [cents/KWh]
1:00	10.84	20.39	43.66	19.86
2:00	9.35	17.74	50.00	18.79
3:00	8.78	16.67	35.02	18.64
4:00	8.67	16.36	18.35	18.79
5:00	8.61	16.26	15.21	19.68
6:00	9.24	17.30	24.47	21.67
7:00	12.03	21.76	31.59	34.62
8:00	15.58	28.59	39.08	25.05
9:00	15.07	27.64	42.95	24.06
10:00	13.00	24.41	43.31	25.47
11:00	13.14	25.43	44.93	23.85
12:00	13.41	25.83	45.96	23.97
13:00	12.98	24.30	42.41	21.97
14:00	12.60	23.39	33.15	20.54
15:00	12.44	23.40	26.48	20.37
16:00	13.28	25.05	37.20	19.44
17:00	16.50	30.51	46.24	20.56
18:00	22.77	41.35	47.76	24.11
19:00	26.50	47.42	47.98	29.84
20:00	26.02	46.42	41.92	27.39
21:00	24.17	43.41	37.26	25.11
22:00	22.11	40.27	23.63	22.88
23:00	18.31	33.90	25.93	20.04
24:00	14.60	27.52	29.12	20.18

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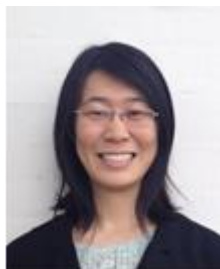
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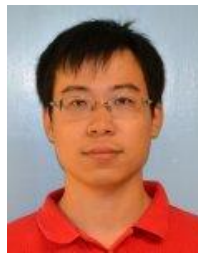
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