Gaming on Coincident Peak Shaving: Equilibrium and Strategic Behavior

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Motivation

Coincident peak (CP) charge - charge the customer based on their demand at the system peak time, e.g., 4CP program in Texas [1]:

Charge the highest hour in each month between Jun. – Sep., and count in the next year's electricity bill.

Research gap - CP time realizes posterior and depends on all customers' strategies [2] → current work focuses on predicting CP time and misses the interaction between customers [3, 4] → motivates a game formulation.

Research question

1

Whether the game-based framework workable for the CP shaving problem?

2

How do gaming consumers' strategic behavior causes anarchy compared to the centralized method

Model and formulation

Two-agent two-period CP shaving model

Rationality: peak and off-peak period; two clusters of customers with an extension to multi-agent.

Agent *1 - game* CP charge at period 1 CP charge at period 2

$$\max_x f_x(x,y) = -\pi(X_1+x)I(S_1(x,y)-S_2(x,y)) - \pi(X_2-x)I(S_2(x,y)-S_1(x,y)) - \alpha_x x^2$$

System peak time determination Shifting penalty

$$I(x) = \begin{cases} 1 & x \geq 0 \\ 0 & x < 0 \end{cases},$$

$$S_1(x,y) = X_1 + Y_1 + x + y = S_{1,0} + x + y,$$

$$S_2(x,y) = X_2 + Y_2 - x - y = S_{2,0} - x - y.$$

X_1, Y_1 is the baseline demand at period 1

x, y is the demand shifting

S_1 is the system demand at period 1

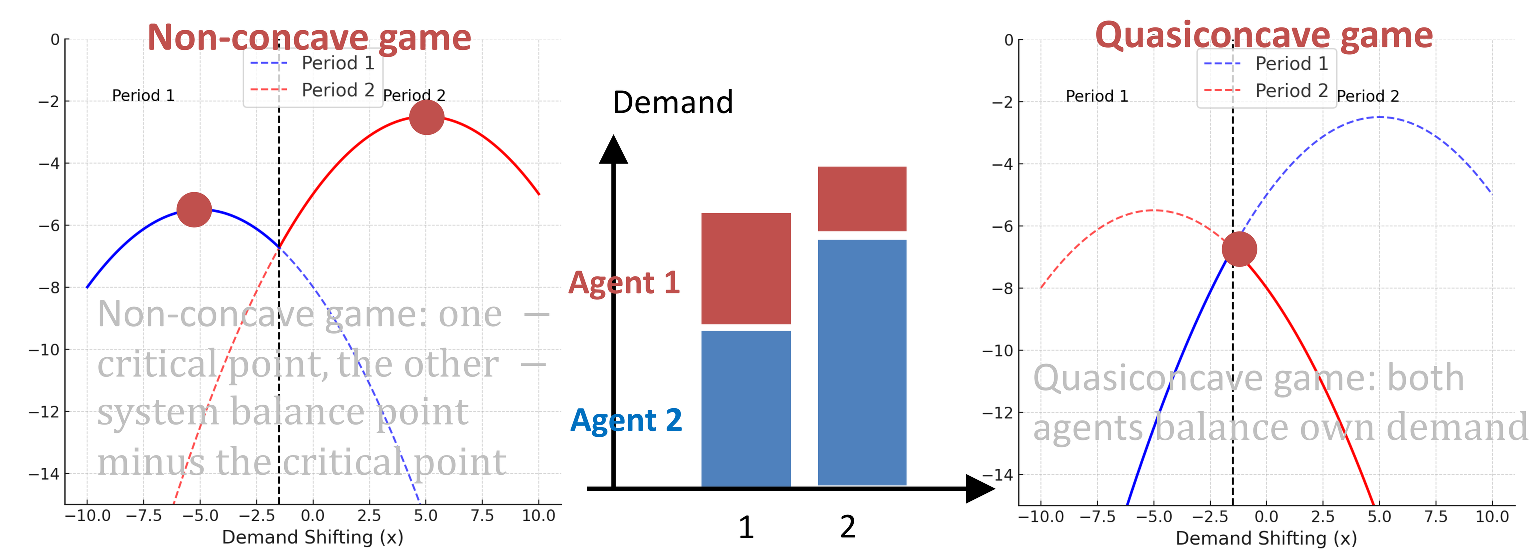
α is the shifting penalty parameter

Centralized $\{x^*, y^*\} \in \arg\max_{x,y} f_x(x,y) + f_y(x,y),$

Q1: NE exist, unique, stable, and reachable

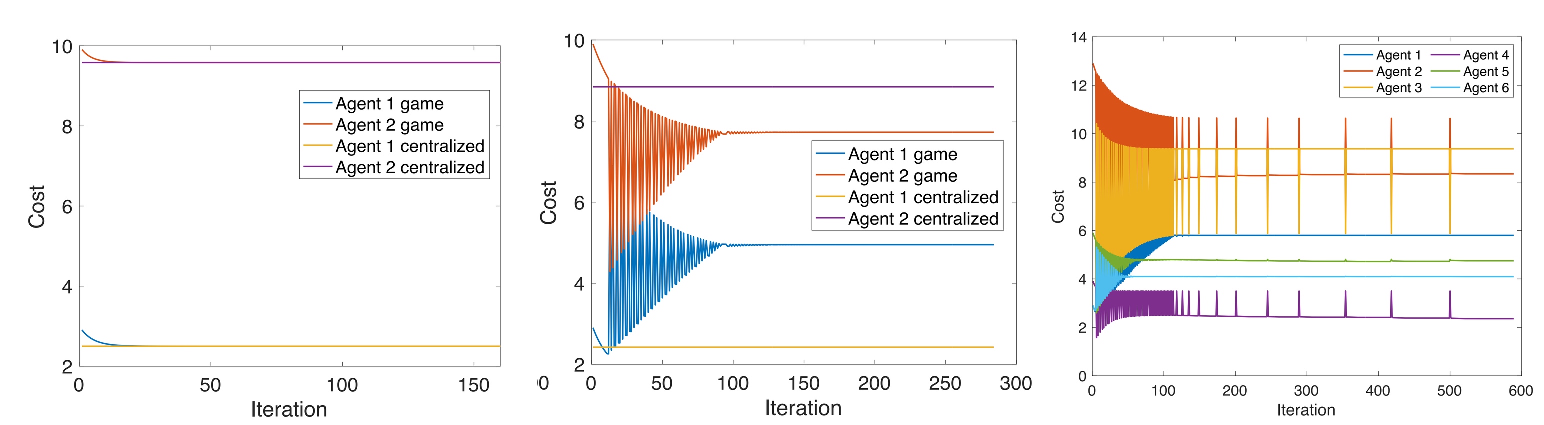
Theorem –Nash equilibrium (NE) (informal)

The CP game could be concave, quasiconcave/discontinuous, and non-concave/discontinuous, and under the two-agent two-period setting, all types of CP games have unique pure-strategy NE.



Theorem – stability and convergence (informal)

- The CP game system is global uniform asymptotically stable if all customers' baseline demand is positive (Denoting system dynamics following the gradient of each agent's payoff function)
- Gradient-based algorithms can converge with an updating rule from the finite difference approximation to the system dynamics (learning rate chosen from backtracking line search)



(a) Two-agent concave game. (b) Two-agent quasiconcave game. (c) Multi-agent non-concave game

Takeaway - Although the game type is variant, the game framework is workable as the equilibrium exists, unique, stable, and reachable.

Extending to multi-agent two-period settings, everything still holds except non-concave game NE is not unique, but **CP time agent** (whose baseline peak demand is in the system baseline CP time) and **non-CP time agent** still balance system demand.

Q2: Peak shaving and economic efficiency

Theorem – peak shaving effectiveness (informal)

In all conditions (two-agent, multi-agent, all types of game), the peak shaving effectiveness of the game model is always the same as centralized model.

Takeaway - It is helpful for utilities/operators to apply the game model because they care more about peak shaving.

Theorem – Efficiency loss with agent equity (informal)

In two-agent settings, efficiency loss (P) increases with inequity among agents, measured by the marginal shifting cost. $\frac{\partial P}{\partial |(\alpha_x x^* - \alpha_y y^*)^2|} > 0$

Theorem – Efficiency loss with game type (informal)

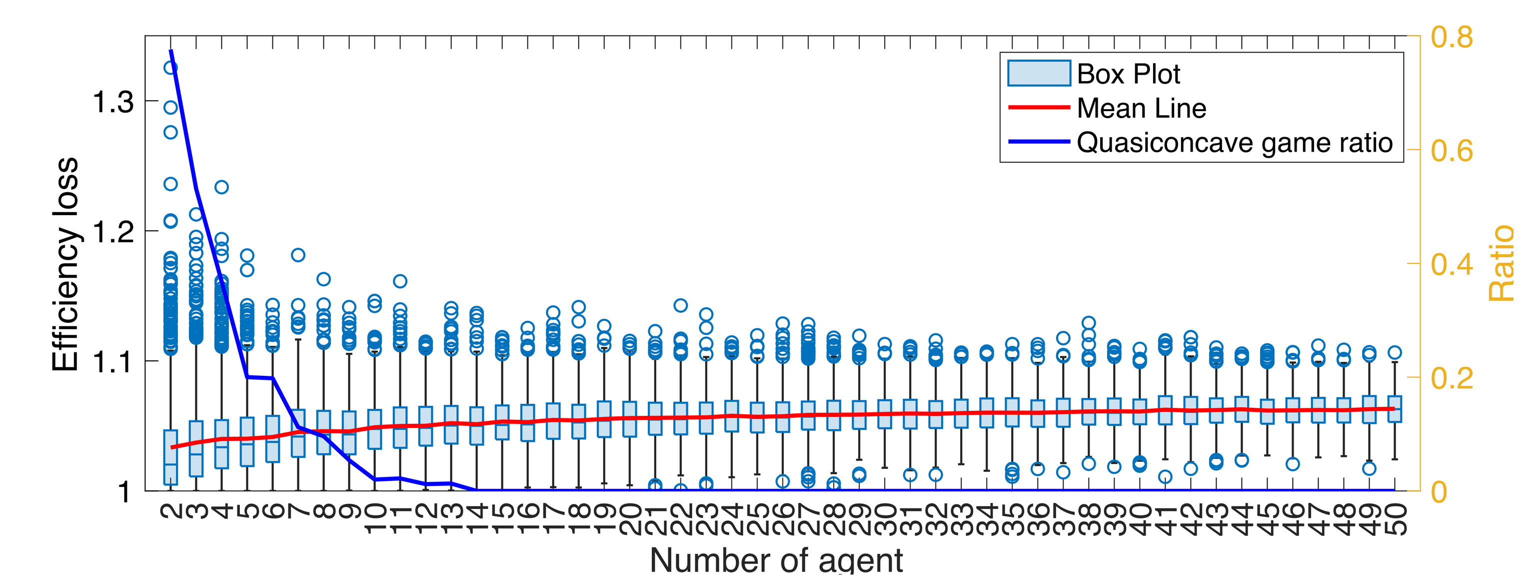
In two-agent settings, fixed system conditions (system demand, CP charge price) → Agent flexibility reduce – α, X_1, X_2

$$P(\text{Quasiconcave game}) \geq P(\text{Non-concave game}) \geq P(\text{Concave game}) = 1$$

Takeaway - (1) CP shaving mechanisms can consider effectiveness and fairness simultaneously – balance agents' marginal shifting cost; (2) Greater agent flexibility reduces system efficiency, reflected by the CP game type change; (3) Concave CP game equivalent to the centralized model.

Remark – game type with agent number

With agent numbers increasing, games are more likely to be non-concave games.



Takeaway - (1) Efficiency loss of a small system is more sensitive to the agents' flexibility (game type); (2) Efficiency loss is stable in a large system, who can diminish flexible agent's influence; (3) Better to have large systems regarding flexible agents, and small systems for inflexible agents.

References

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