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Blueprint for the combinatorial strategy in transactive energy-based control mechanism by using energy flexibility platform and interface

Muhammad Babar¹ ✉, I.G. (Rene) Kamphuis^{1,2}, Zbigniew Hanzelka³, Martijn Bongaerts⁴

¹Electrical Energy Systems, Eindhoven University of Technology, Eindhoven, The Netherlands

²TNO, Groningen, The Netherlands

³Faculty of Electrical, Automatics, Computer Science and Biomedical Engineering, AGH University of Science and Technology, Krakow, Poland

⁴Alliander N.V., Arnhem, The Netherlands

✉ E-mail: m.babar@tue.nl

Abstract: The strategic importance of transactive energy (TE) in the world is steadily increasing, and therefore transactive control and coordination mechanism require effective strategy to achieve sustainable competitive advantages. Strengths, weaknesses, opportunities and threats (SWOT) analysis is one of the most effective approaches used for analysing strategic design of a system. In this study, structured SWOT analysis has been performed focusing on three advancements, namely PowerMatcher, intelligator and energy flexibility platform and interface, made in the area of transactive control and coordination mechanism. As a conclusion, applied the proposed methodology to carry out effective combinatorial strategy planning for the TE-based coordination mechanism.

1 Introduction

Demand response has been consistently ranked as one of the world's foremost research sector over the past 20 years. The outstanding advancements in demand response have been supported by advancement in smart appliances e.g. distributed generation and storage as well as process innovation within the control mechanisms and coordination strategies. Advances in demand response and unbundling of power system have created opportunities to have transactive energy (TE)-based coordination and control mechanisms. Therefore, multi-agent systems (MAS) have been proposed and investigated to implement TE-based control mechanism in order to improve market responsiveness [1]. The developments in the demand response strategies i.e. PowerMatcher, intelligator and energy flexibility platform and interface (EF-Pi), towards TE-based coordination and control mechanisms focused exclusively on different aspects in strengthening power system and providing advance solution for a variety of serious challenges, such as local balancing, decrease network congestions, demand shifting during peak hours and development in standardisation.

PowerMatcher is an MAS that uses TE-based coordination and control mechanism in order to locally balance available distributed energy resources and dispatchable loads [2]. The main focus of the PowerMatcher is to prove the philosophy and concept of TE-based mechanism i.e. the enablement of a variety of appliances to bid as per their marginal cost, which are aggregated at auctioneer agent and then transacted in electricity market via objective agent. On the other hand, intelligator uses the same philosophy and concept, however it focused more on the advance algorithms to explain the challenges associated to demand dispatch of thermally dispatchable loads and electric vehicles [3, 4]. On the contrary, EF-Pi is an effort to create an interoperable platform that is able to connect to a variety of appliances and support a host of demand response services such that physical appliances does not need to be changed when a consumer switches from one service to

another. At the same time the EF-Pi makes it easier for service providers to introduce new services without changing the physical system [5].

The combinatorial strategy is aimed at establishing a sustainable demand response scheme combining forces that determine TE-based control mechanism in particular, learning the competitive agents-based environment in detail and strengthening the flexible alliance advantages for the establishment of a successful strategy. Strengths, weaknesses, opportunities and threats (SWOT) analysis [6] is an effective means for analysing different approaches in order to attain systematic approach and supports for successful demand response strategy formulation. However, the conventional SWOT analysis is based on the qualitative method and has no means of identifying and evaluating the importance of SWOT factors analytically.

In this study, a qualitative SWOT analysis has been used to identify relationships among SWOT factors systematically and formulate competitive strategy on the basis of identified relationships, and then analysed them by means of methodology applied in the analytic hierarchy process (AHP) [7]. Furthermore, the effectiveness of the proposed method and possibilities for its application to the competitive strategy formulation has been established.

2 SWOT factors

In general, SWOT analysis is aimed at identifying the strengths and weaknesses of an approach/organisation as well the opportunities and threats in the environment. However, in this study, set of SWOT factors is compiled by considering the mentioned smart grid developments. For this purpose, first key words were collected from the related research reports published so far on the PowerMatcher [2], intelligator [3, 4] and EF-Pi [5], and then identified and classified into SWOT factors. The most influential strengths and weaknesses are given in Tables 1 and 2, and the most influential opportunities and threats are given in Tables 3 and 4, respectively.

Table 1 Strengths *S*

(S ₁)	aggregator with high market competitiveness
(S ₂)	numerous competitive agents
(S ₃)	organisation scalability
(S ₄)	heterogeneous demand resources within MAS
(S ₅)	flexibility to user's requirement
(S ₆)	fully managed demand side management
(S ₇)	real-time demand dispatch
(S ₈)	learning for load scheduling
(S ₉)	active collaboration with agents
(S ₁₀)	introduction of advance ICT
(S ₁₁)	product development

Table 2 Weaknesses *W*

(W ₁)	fluctuation in electricity market
(W ₂)	dependency on domestic trends of customer
(W ₃)	price competition in market
(W ₄)	limited intelligence within MAS
(W ₅)	low collaboration within MAS
(W ₆)	lack of accurate forecasting capability
(W ₇)	lack in standardisation
(W ₈)	device specification dependency on performance
(W ₉)	limited system engineering
(W ₁₀)	market and regulators conservative tendency towards advance technology

Table 3 Opportunities *O*

(O ₁)	increasing versatility and flexibility in network
(O ₂)	positive environmental effects
(O ₃)	customer empowerment
(O ₄)	trend of close collaboration between customer and service provider
(O ₅)	increasing energy transition process
(O ₆)	increasing requirements of new and more advance technologies
(O ₇)	R&D of innovative strategies, control and learning techniques
(O ₈)	progress of embedded components and parts developments

Table 4 Threats *T*

(T ₁)	increasing e-security
(T ₂)	monopsony of large aggregator
(T ₃)	decrease in customer's direct control
(T ₄)	reorganisation of power system
(T ₅)	mishandling or underutilisation of big data
(T ₆)	increasing network challenges
(T ₇)	over defining the system

3 Qualitative SWOT methodology

The conventional SWOT analysis is based on the qualitative analysis and has no means of determining the importance or intensity of SWOT factors analytically. As numerous criteria and interdependencies complicate the procedure of strategic planning, the utilisation of conventional SWOT analysis has become insufficient. Saaty [7] developed a mathematical method for analysing complex decision problems with multiple criteria, named as AHP. The AHP in SWOT analysis assigns qualitative weights to individual SWOT factors. In this method, AHP in SWOT analysis is presented as application of utilising pairwise comparisons p_{ij} , which are carried out within SWOT groups in the form of the matrix as

$$p_{ij} = \begin{bmatrix} w_1/w_1 & \cdots & w_1/w_j \\ \vdots & \ddots & \vdots \\ w_i/w_1 & \cdots & w_i/w_j \end{bmatrix}$$

where p_{ij} is an estimated ratio of the unknown weights w_1/w_j . The value of w may vary from 1 to 9; 1/1 indicates equal intensity/

importance whereas 9/1 indicates extreme or absolute intensity/importance.

In this study, the list of SWOT factors was analysed using the methods shown in Fig. 1 to determine the intensity or priority order of each factor. In addition, multiple criteria consist of PowerMatcher and intelligator performance measures.

In this study, criteria associated with PowerMatcher are the following:

α_1 : customer's satisfaction creating capability i.e. (EF-Pi),

α_2 : real-time demand dispatch in electricity market,

α_3 : scalable organisation capability,

α_4 : strong information communication and technology (ICT) as well as embedded device capability.

On the other hand, criteria associated with intelligator are the following:

β_1 : advance learning capability,

β_2 : scheduling capability,

β_3 : network operational performance.

Herein, EF-Pi has been taken as one of the criteria in PowerMatcher because it was initially developed for PowerMatcher. However, currently EF-Pi is presented as a systematization tool within smart grid. Therefore, in this study, EF-Pi is considered as a part of PowerMatcher because it will also simplify the presentation of SWOT evaluation. SWOT factors evaluated by multiple criteria are shown in Fig. 2 (strengths), Fig. 3 (weaknesses), Fig. 4 (opportunities) and Fig. 5 (threats). Furthermore, from Figs. 2 and 4, by considering the given methodology it can be observed that the strengths and opportunities of PowerMatcher and intelligator are clustered together, and are mostly rated low that implies they mostly have similar strengths of the mechanisms and opportunities in the environment. On the other hand, weaknesses and threats are relatively disperse as shown in Figs. 3 and 5. Thus, it can be inferred that by combining these development, weaknesses of the overall approach reduces as well as it also lower the threats to the environment.

Fig. 1 Basic concept of quantitative SWOT analysis [6]

Fig. 2 Evaluated performance of strengths

Fig. 5 Evaluated performance of threats

Fig. 3 Evaluated performance of weaknesses

Fig. 4 Evaluated performance of opportunities

4 Combinatorial strategic planning

Using the quantitative evaluated SWOT factors, effective combinatorial strategy planning for the TE-based coordination mechanism can be developed for the purpose of building the strengths, eliminating the weaknesses, exploiting and/or countering the threats. Hence, the proposed quantitative SWOT analysis can provide an important foundation for the formulation of a successful strategy.

By pairwise comparing the most influential SWOT factors, a resultant demand response strategy could be generated as shown in Fig. 6. From this result, it is visibly implied that the global effectiveness would be the mutual region of market-related effectiveness, the system-related effectiveness and the

Fig. 6 Combinatorial strategy for TE-based control and coordination mechanism

product-related effectiveness. Moreover, the pairwise combination of these three effectiveness would take a broad view of the selected three smart grid developments, namely PowerMatcher, intelligator and FPAI. Thus, all the varieties of smart grid developments are required simultaneously for reinforcing combinatorial strategy in order to achieve effective and sustainable TE-based mechanism.

Therefore, in order to rationally strengthen the combinatorial strategy effectiveness, it is indispensable to select and focus on the available resources and developments as well as acquire and realise the core competence in transactive coordination and control mechanism.

5 Conclusion

A structured methodology for identifying and analysing the SWOT factors of the TE-based coordination and control mechanism has been presented in this study. Based on the SWOT factors identified, successful combinatorial strategy could be achieved. As a conclusion, the following inferences could be drawn:

- SWOT factors of the TE-based coordination and control mechanism have been listed, and their critical features have been clarified.
- A qualitative SWOT analysis has been performed by weighing the individual SWOT factors using the pairwise comparison matrices.
- A combinatorial strategy planning for the TE-based coordination mechanism has been presented in the light of proposed analysis.

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