

1                   **Offshore transmission for wind: comparing the economic**  
2                   **benefits of different offshore network configurations**

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9                   **Abstract**

10                  It has been argued that increasing transmission network capacity is vital to ensuring  
11                  the full utilisation of renewables in Europe. The significant wind generation capacity  
12                  proposed for the North Sea combined with high penetrations of other intermittent  
13                  renewables across Europe has raised interest in different approaches to connecting  
14                  offshore wind that might increase also interconnectivity between regions in a cost  
15                  effective way. These analyses to assess a number of putative North Sea networks  
16                  confirm that greater interconnection capacity between regions increases the  
17                  utilisation of offshore wind energy, reducing curtailed wind energy by up to 9TWh  
18                  in 2030 based on 61GW of installed capacity, and facilitating a reduction in annual  
19                  generation costs of more than €0.5bn. However, at 2013 fuel and carbon prices, such  
20                  additional network capacity allows cheaper high carbon generation to displace more  
21                  expensive lower carbon plant, increasing coal generation by as much as 24TWh and  
22                  thereby increasing CO<sub>2</sub> emissions. The results are sensitive to the generation “merit

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23 order” and a sufficiently high price would yield up to a 28% decrease in emissions  
24 depending on the network case. It is inferred that carbon pricing may impact not only  
25 generation investment but also the benefits associated with network development.

## 26 **Highlights**

- 27 • Alternative HVDC transmission network structures across the North Sea are  
28 compared
- 29 • A coordinated, multi-terminal grid is shown to be superior relative to radial  
30 connections in the 2030 scenario
- 31 • Increasing transmission capacity might lead to increased CO<sub>2</sub> emissions  
32 depending on the generation merit order
- 33 • Carbon price is potentially a powerful driver of benefits from network  
34 development
- 35 • The costs and benefits of a multi-terminal HVDC grid are likely to be highly  
36 sensitive to the future cost of DC circuit breakers

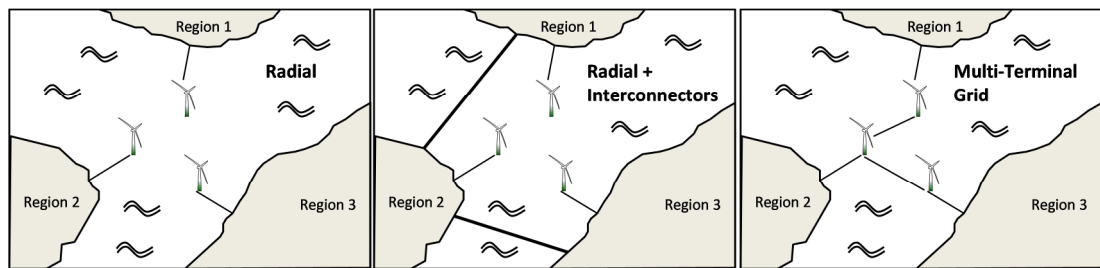
37 *Keywords: renewable energy, carbon emissions, carbon pricing, electricity*  
38 *transmission, offshore wind energy, cost benefit analysis*

## 39 **1 Introduction**

40 Driven by policies supporting the development of renewable electricity generation, it  
41 has been forecast that between 2013 and 2030 as much as 200GW of offshore wind  
42 generation will be installed in Northern Europe, while a further 200GW of onshore  
43 wind capacity is planned continent-wide (Moccia et al 2011). This is set against a  
44 backdrop of the planned closure of up to 55GW of nuclear plant (World Nuclear  
45 Association, 2013). If these changes occur, they will have profound implications for  
46 the European electricity transmission system as the centres of production shift and  
47 the characteristics of the generation fleet change. As a consequence, upgrades to  
48 grid capacity, whether offshore or onshore, have often been described as essential to  
49 facilitating renewable energy (European Parliament, 2012) and, hence, to reducing  
50 carbon emissions associated with production and use of electrical energy. Moreover,  
51 new transmission capacity, it is argued, would ensure security of supply and optimal  
52 use of generation assets across Europe. However, expanding transmission capacity is  
53 costly and environmental concerns mean that the number and routing of new  
54 transmission lines must take account of the need to maximise utilisation and  
55 minimise environmental impact. These principles hold both onshore and offshore,  
56 where the demand to install both more interconnection capacity between regions and  
57 to connect offshore wind farms to shore would see a proliferation of cables on the  
58 seabed and of cable landings at, often sensitive, coastal locations.

59 Until now, most offshore wind farms have been located close to shore and each has  
60 been connected directly to a substation within the onshore grid via high voltage  
61 alternating current (HVAC) transmission cables. As generation assets are shifted  
62 farther offshore, high voltage direct current (HVDC) connections, which become  
63 more economically attractive over longer distances (Crown Estate, 2008), are

64 expected to displace HVAC technology. The intermittency of wind generation means  
65 that the capacity of these radial transmission cables for connection of generation is  
66 not fully utilised 100% of the time and, given the growing interest in new  
67 interconnection capacity between regions of Europe (Fichaux and Wilkes, 2009),  
68 attention is being devoted to exploring whether interconnections and connections of  
69 offshore wind farms can be combined. This principle is illustrated in Figure 1 which  
70 shows the radial approach, the addition of interconnectors and the combined (multi-  
71 terminal) topology.



72  
73 Figure 1 Stylised offshore network configurations

74 It is postulated that a coordinated development of offshore network capacity might  
75 increase the utilisation of offshore network branches, improving the viability of  
76 offshore transmission investments, and, by virtue of providing multiple paths to  
77 shore, facilitate more reliable market access for the offshore generation and mitigate  
78 wind curtailment (Fichaux and Wilkes, 2009; North Seas Countries Grid Initiative,  
79 2010; De Decker and Kreutzkamp, 2011; Irish and Scottish Links on Energy, 2012).  
80 The concept is embodied in the European Coordinator's Second Report in which  
81 G.W. Adamowitsch (2009) is quoted as saying, "...an integrated European approach  
82 [to networks] is needed for releasing the full offshore potential."

83 While the logic of the argument is clear, the benefits of a coordinated approach to the  
84 electricity system in Europe as a whole have not yet been fully explored, and this

85 provides the main context for the analysis described in the current paper. The work,  
86 carried out under the auspices of the TWENTIES project (Twenties Project, 2013),  
87 seeks to compare different network structures according to a number of performance  
88 metrics including CO<sub>2</sub> emissions, fossil fuel generation and available energy not  
89 utilised or curtailed energy. The comparison enables incremental operational and  
90 investment costs to be examined.

91 The model applies the principles of least cost generation dispatch, meaning the  
92 results are sensitive to the so-called “merit order” and in consequence the robustness  
93 of the results is examined with different generation ‘stacks’. Changes to the merit  
94 order could result from multiple exogenous market factors but given its central role  
95 in policy-making, carbon price is taken as the instrument by which the cost of fossil  
96 fuelled generation is varied in this analysis.

97 Section 2 of this paper describes the model, approach and network configurations  
98 together with other input data. In Section 3, the results of the analysis are discussed  
99 and the implications explored. Finally in Section 4, a number of conclusions are  
100 drawn and suggested areas for future work advanced.

## 101 **2 Approach and Methodology**

### 102 **2.1 TWENTIES modelling approach and the use of ANTARES**

103 The TWENTIES project was established in 2010 by 26 partner organisations from  
104 11 European countries to answer fundamental questions regarding the European  
105 transmission network. The purpose of the work described here was largely to address  
106 the question, “What should the transmission system operators (TSOs) implement to  
107 allow for offshore wind development?”, and to identify the economic drivers for the  
108 coordinated development of interconnected offshore HVDC networks in the 2030

109 time horizon. The studies were designed to compare coordinated and non-  
110 coordinated network designs according to a number of key operational performance  
111 measures and provide a cost benefit analysis of a coordinated approach.

112 As observed in Section 1, it is widely expected that greater transmission  
113 interconnection capacity would offer operational cost reductions through the more  
114 effective use of low marginal cost / low carbon generation, such as wind power.  
115 Moreover, it is expected that a co-ordinated design for the offshore grid would  
116 reduce the total investment cost associated with linking wind farms to shore and  
117 interconnecting regions. The work described in this paper aimed to test these  
118 hypotheses through a high-level analysis of the impact on the European power  
119 system of proposed North Sea grid structures linking hubs that aggregate wind farms  
120 in development areas. This higher level perspective is in contrast to other studies  
121 (Fichaux and Wilkes, 2009; North Seas Countries Grid Initiative, 2010; De Decker  
122 and Kreutzkamp, 2011) which have tended to focus on coordinated grid development  
123 at the wind farm level. The key features of the simulator, ANTARES (Antares,  
124 2015), are described in Section 2.5. It allows the explicit modelling of hourly time  
125 series over multiple years describing numerous possible futures through *sequential*  
126 Monte Carlo simulation. This permits realistic patterns of flows to be generated and  
127 examined and the links that are most highly constrained to be identified, vital to  
128 gaining a full understanding of the constraints inherent in the different proposed  
129 structures. The following are unique features of ANTARES:

- 130 • the ability to model available generation stochastically taking into account  
131 forced or planned thermal outages (without optimization of the maintenance  
132 scheduling) and variations in wind speed, solar power and water inflow;

- 133       • respect of realistic, physical inter-temporal constraints arising from minimum  
134           generation levels as well as, minimum on and off times the respect in inter-  
135           area power transfer limits; and
- 136       • the dispatch of generation in the most economic way to meet demand (subject  
137           to the maintenance of adequate reserve) making effective use of hydro power.

## 138   **2.2   Definition of network structures**

### 139   **2.2.1   Guiding principles**

140   A four-step approach was applied to developing the network configurations and  
141   subsequent analysis.

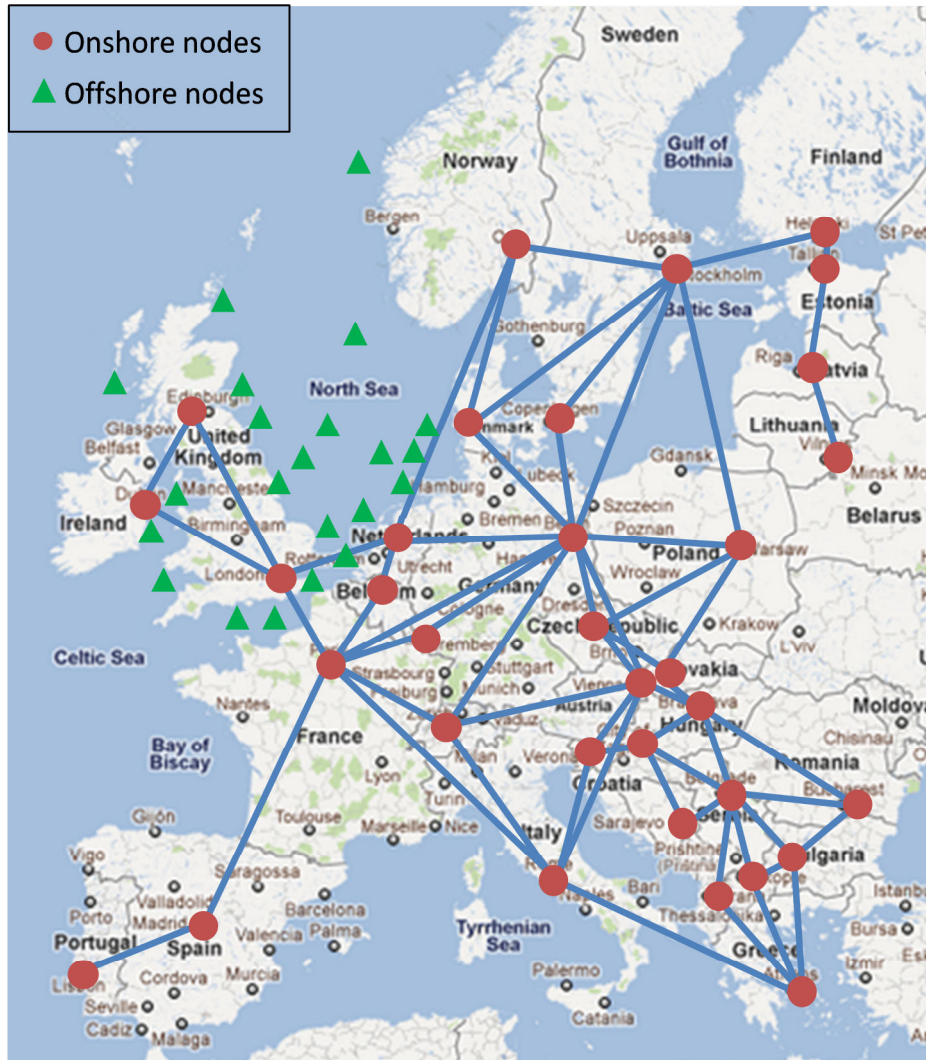
- 142   1. Develop a simplified model of the European power system with a single node per  
143       country<sup>1</sup>, with network branches between nodes representing actual or proposed  
144       power flow paths, allowing different cases to be straightforwardly set up with  
145       different sets of net transfer capacities (NTCs) on branches. The entire European  
146       network<sup>2</sup> was included, allowing the relationships between countries  
147       immediately surrounding the northern European offshore regions and those  
148       “deeper” into Europe to be represented (see Figure 2);
- 149   2. Establish a plausible set of generating assets associated with each node (both  
150       onshore and offshore) together with an annual load profile describing both the  
151       level of demand and the diurnal, weekly and seasonal variations;
- 152   3. Define a set of offshore “nodes” in areas where it has been proposed future wind  
153       farms will be built;

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<sup>1</sup> Note that Denmark is modelled as two nodes since it sits across two synchronous areas while GB is also divided in two reflecting the significant publicly acknowledged constraint across the border between Scotland and England.

<sup>2</sup> All the EU 27 countries plus Norway, Switzerland, Albania, Bosnia, Macedonia and Serbia

154 4. Postulate possible offshore network configurations that are adequate for the  
 155 proposed offshore wind generation and replicate the generic set of topologies in  
 156 Figure 1.



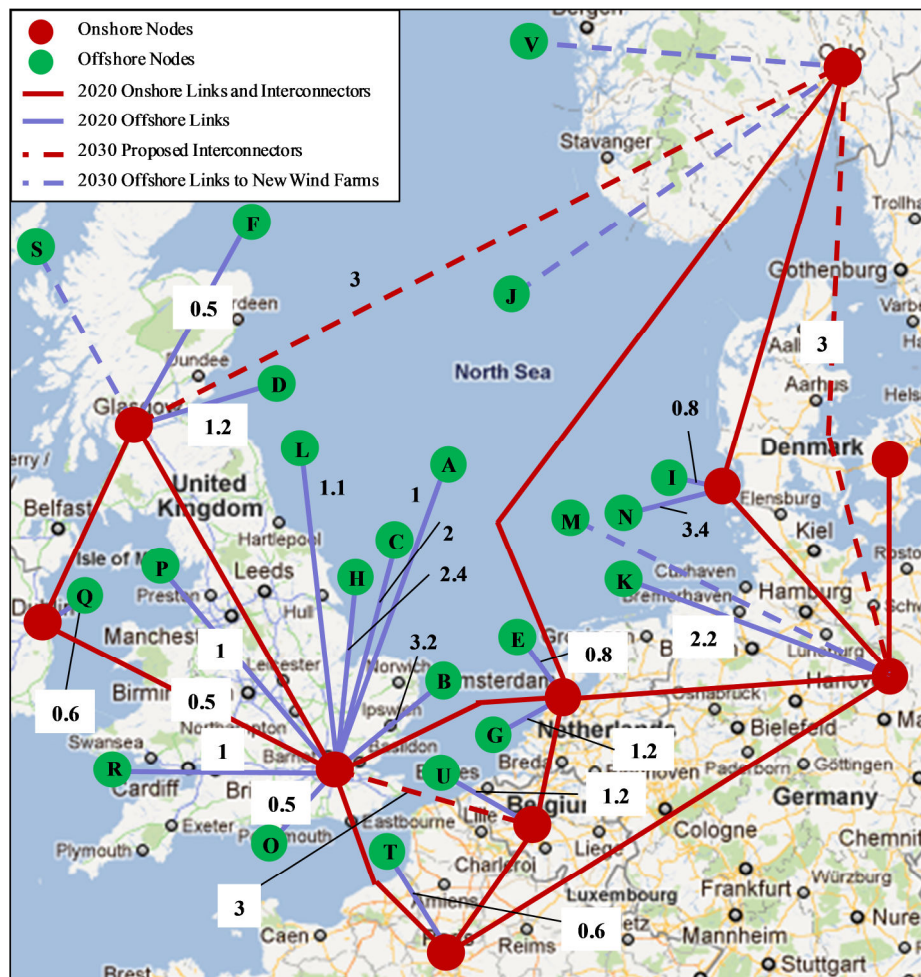
157  
 158 Figure 2 Onshore network representation and offshore development locations

159 **2.2.2 Detailed design considerations**

160 The primary objective of the study was to examine the performance and relative  
 161 costs and benefits of a “dual-use”, multi-terminal, interconnected offshore network  
 162 (roughly shaped as an “H” and thus referred to as the H-grid) when compared with  
 163 network arrangements that bring offshore wind directly to shore in a radial pattern  
 164 (Radial). An additional scheme where point-to-point interconnector capacity  
 165 between regions is added to the Radial configuration was also considered (Radial +

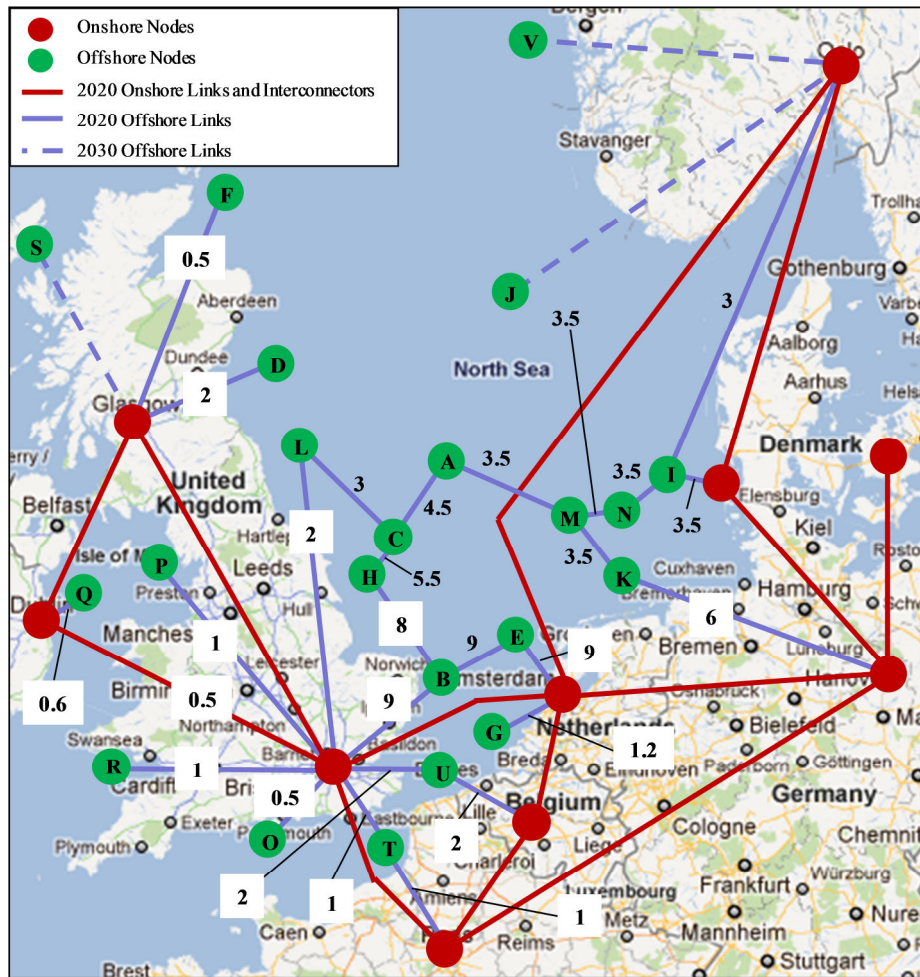


166 IC), drawing on published plans regarding investment in transmission capacity  
 167 between the three broad regions, Continental Europe, Scandinavia and the British  
 168 Isles (Figure 3). Since, in the Radial case, cables are dimensioned according to the  
 169 wind farm hub capacity and may be relatively under-utilised given the intermittent  
 170 nature of wind generation, the coordinated approach combines both the radial  
 171 connections and the interconnector pathways into a single network with the  
 172 capacities of new offshore branches being established through an iterative process  
 173 (Figure 4).



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 175

Figure 3 Radial offshore network configuration



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Figure 4 Multi-terminal offshore ‘H-grid’ configuration

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In order that the carbon and fuel costs savings associated with new offshore wind can be appreciated, a reference case was developed in which no new offshore wind or offshore transmission assets are constructed, (No Wind case).

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The capacities of the onshore network connections are defined according to the ENTSO-E<sup>3</sup> Net Transfer Capacities (NTC) values (ENTSO-E, 2010). Additional inter-regional connections are envisaged from GB North to Norway, GB South to Belgium and Germany to Norway, each of a putative 3GW, selected to reflect the capacity of current source (or line commutated) converter (CSC) based links currently being developed (e.g. the Western HVDC link in Great Britain which has

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<sup>3</sup> European Network of Transmission System Operators of Electricity

187 cables rated at 600kV<sup>4</sup>) and expected further developments of the capacities of  
188 cables used with CSC or of voltage source converters (VSC) and associated cables  
189 which to date offer link capacities of 1.4GW<sup>5</sup> with two links readily operable in  
190 parallel . The offshore wind farms are connected directly back to their country of  
191 origin or, in some cases, the nearest shore. The purpose of the study was not to  
192 optimise the H-grid – a complex task that would require consideration of a multitude  
193 of factors including cable routing and consents risks associated with shore locations  
194 and any reinforcements required within the onshore systems for different connection  
195 options – either in terms of configuration or capacities but to offer a credible rule-  
196 based design. The design objective was to ensure all the offshore wind farms within  
197 the grid connect to at least two shores and at the same time replicate the additional  
198 point-to-point routes between regions envisaged in the Radial + IC configuration.  
199 The initial capacities in the H-grid are postulated in order to allow sufficient capacity  
200 to bring all the wind to shore plus an additional allowance on each branch to enable  
201 some exchange between regions even when wind farms are operating at 100%  
202 output. The network capacities were then refined through a simple heuristic. An  
203 optimal design should strike a balance between the cost of additional network  
204 capacity and the value of the additional power transfers that are facilitated. In  
205 consequence, wind power might, from time to time, be restricted for power system  
206 operational reasons, e.g. the scheduling of reserve.

### 207 **2.2.3 Transmission system protection and control**

208 It is assumed that long, cable-based transmission networks will be built using HVDC  
209 technology and it is further assumed that a multi-terminal HVDC network will be  
210 both operationally feasible and afford cost savings relative to an offshore network

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<sup>4</sup> Details of the link can be found at <http://www.westernhvdlink.co.uk/>

<sup>5</sup> See, for example, <http://nsninterconnector.com/about/what-is-nsn-link/>

211 comprised of two-terminal HVDC links built around AC offshore hubs (Bell et al,  
212 2010; Bell et al, 2014). Different network structures may have different control and  
213 protection requirements and this issue has largely been ignored to date in the  
214 literature to assess the benefits of DC grids. The widespread expectation among  
215 TSOs that HVDC grids should make use of DC circuit breakers (DCCB) to isolate  
216 short circuit faults (Tang and Boon-Tek, 2002) relies on the notion that if DCCB are  
217 not used, faults on the DC side may result in the loss from service of the entire DC  
218 grid. The operational implications of this are significant, since the loss of many  
219 gigawatts of wind energy through a single contingency would breach the generally  
220 accepted principles for reserve requirements. By contrast, in radial designs the loss  
221 through a fault on the DC side would be limited to a single wind farm cluster, a more  
222 manageable event from a TSO perspective. It is worth noting that other work-  
223 arounds may be feasible and these are discussed elsewhere in, for example, (Irish  
224 and Scottish Links on Energy, 2012; Bell et al, 2014) but transmission system  
225 operators may favour the deployment of a DCCB at least at the ends of branches that  
226 are not directly connected to converters. At the time of writing, no high voltage  
227 DCCBs are available commercially and current cost estimates are very high  
228 compared to HVAC protection and the sensitivity of the results to the cost of DC  
229 breakers has been tested.

#### 230 **2.2.4 Offshore network investment costs**

231 Table 1 provides the average capital costs for each network element based on the  
232 cost ranges provided by ENTSO-E (Offshore Transmission Technology Report,  
233 2011), with the exception of the DCCB where the “current” cost is estimated based  
234 on the cost of an analogous technology, i.e. a modified converter station.

235

236

Table 1 Assumed capital costs for network elements (number units in 2030)

System Element	Average Cost (€m)	Number in Radial	Number in Radial+IC	Number in H-grid
<b>VSC Converters</b>		82	82	88
<b>800MW</b>	85			
<b>1250MW</b>	135			
<b>2000MW</b>	170			
<b>3000MW CSC Converter</b>	213	0	6	0
<b>Offshore platform</b>	70	73	73	73
<b>HVDC 1000MW 500kV Cable per km</b>	0.72	7,677	11,383	15,598
<b>Implied total cable cost (€m)</b>		5,527	8,195	11,231
<b>DC 1000MW Circuit Breaker</b>		0	0	30
<b>Base</b>	40			
<b>Optimistic target</b>	3			
<b>Realistic target</b>	15			

237

238 Three possible cost scenarios for the DCCB are considered as follows:

- 239 • Base Cost: 25 – 30% of the average cost of a VSC converter of equivalent rating;
- 240 • Realistic Target: 10% of the average cost of a VSC converter consistent with
- 241 costs presented in Jovicic et al (2011); and
- 242 • Optimistic Target: reflecting the current costs of AC CB and assuming a
- 243 technological breakthrough.

244 All radial connections from new, distant offshore wind farms or connections within

245 the H-grid are assumed to be based on VSC technology offering a high degree of

246 flexibility in terms of power flow control (VSC Transmission Tutorial, 2011). The

247 point-to-point connections in the Radial+IC configuration are assumed to be built

248 around the more established and less costly CSC technology, reflecting the presence

249 of strong systems at each end. The capital costs of the offshore portions of the

250 network configurations vary according to the length and capacity of the network

251 branches, the number of onshore and offshore converter stations and the number of  
252 DCCB in the system.

### 253 **2.3 Generation and demand input parameters**

254 ANTARES applies a sequential Monte Carlo approach in order to cope adequately  
255 with uncertainties relating to wind forecast errors, planned and unplanned outages of  
256 thermal plant, the use of hydro generation to smooth out price variability  
257 consequential to interactions between the level of demand and availability of power  
258 from sources with very low marginal costs, such as wind.

259 The characteristics of demand variation by country are established based on data  
260 from ENTSO-E (2013) and future time series generated based on an assumption of  
261 demand growth (REALISEGRID, 2013). The relationships between the demand and  
262 weather time series, which depend, among other things, on the nature of heating and  
263 cooling demand in a particular country and the season, are not modelled explicitly  
264 although the inter-temporal and spatial relationships are captured in the historic data  
265 used to generate the Monte Carlo time series.

266 The installed generation capacities and demands by region and by target year are  
267 shown in Table 2, based on data from industry sources (Zervos and Kjaer 2008;  
268 Power Statistics, 2010; Global Market Outlook for Photovoltaics 2013-2017, 2010).

269 There is a category of generation, such as energy from waste and some combined  
270 heat and power plant, which is non-dispatchable and since much of this to date has  
271 been “invisible” to the TSO it is treated non-stochastically in the model.

272

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Table 2 Installed capacity by generation type in 2030

All in GW unless otherwise stated	Continental Europe	British Isles	Scandinavia	Total
Coal	101.2	29.8	9.6	140.6
Lignite	52.5	0.3	1.2	54.0
Gas (CCGT and OCGT)	119.0	30.9	44.8	194.7
Other Dispatchable fossil fuelled	86.3	7.9	11.4	105.6
Nuclear	72.1	1.2	3.9	77.2
Other Non-dispatchable Generation	19.8	2.2	8.0	30.0
Hydro	98.0	1.7	60.4	160.1
Pumped storage	39.9	3.1	9.1	52.1
Onshore wind	166.0	18.0	9.3	193.3
Offshore wind	20.1	39.5	1.7	61.3
Solar	160.2	5.4	0.0	165.6
All generation	935.1	140.0	119.4	1234.5
Peak demand	489.1	76.1	95.7	
Annual consumption (TWh) incl. Pumping load	3,020.7	430.4	535.9	3,987.0

274

Note: The load is defined according to (ENTSO-E, 2013) on a country by country basis.

275

Fossil fuel generation is assumed to remain at the same level across each generation

276

type as in 2011 implying that plant closed in the period to 2030 is replaced with like-

277

for-like plant. Nuclear plant closures were established according to information

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available at World Nuclear Association (2013) while plant openings include only

279

those plants currently under construction.

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Table 3 presents total generation costs per MWh of electrical output for different

281

levels of CO<sub>2</sub> price with the base case level being derived from the REALISEGRID

282

(2013) reports. These are based on data for generation costs excluding any CO<sub>2</sub> price

283

from the Digest of UK Energy Statistics (2010) and reflect one particular estimate of

284

the current short-run marginal costs of generation which are used as the basis for

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dispatching, as discussed by Greenblatt et al (2007). In light of the fact that

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considerable uncertainty attaches to these costs, no attempt has been made to predict

287

future energy prices for the cost-benefit analysis.

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Table 3 Generation costs as a function of carbon price

Prices in € / MWh	Carbon Emissions t / MWh	Cost excl. CO <sub>2</sub>	Cost incl. CO <sub>2</sub> at €10 / t	Cost incl. CO <sub>2</sub> at €20 / t	Cost incl. CO <sub>2</sub> at €60 / t	Cost incl. CO <sub>2</sub> at €85 / t
Nuclear	0.0	7.0	7.0	7.0	7.0	7.0
Lignite	1.1	15.0	26.5	38.0	83.9	112.7
Coal / Coal CHP	0.9	27.0	36.2	45.3	81.9	104.8
Gas CCGT / CHP	0.4	40.0	44.1	48.1	64.3	74.4
Gas OCGT	0.6	61.5	67.7	73.8	98.4	113.8
Oil / Oil CHP	0.6	121.0	127.3	133.6	158.8	174.6

290

291 The short run marginal cost of coal generation begins to exceed the cost of gas at a  
 292 CO<sub>2</sub> price of around €26 / t while lignite remains cheaper than coal until the price of  
 293 carbon reaches €52 / t, the point at which a complete reversal of the merit order  
 294 occurs. In order for the pumped storage plant (PSP) to be used to its fullest extent, a  
 295 sufficient differential (given by the inverse of the assumed efficiency) must exist  
 296 between the peak- and the off-peak- locational marginal prices calculated at the PSP  
 297 sites. This occurs at a carbon price of €83 / t leading to the application of a €85 / t  
 298 CO<sub>2</sub> price for the reverse merit order case.

#### 299 **2.4 Other considerations**

300 The study was not designed to consider the full investment costs associated with  
 301 offshore wind development and only the comparative network investment and  
 302 generation operational costs are taken into account. That is, capital and operating  
 303 costs regarding the wind generating fleet are not assessed. The discount rate applied  
 304 to arrive at the levelised costs was 10% and the lifetime 20 years. The values reflect  
 305 the expected lifetime of offshore wind farms and the relative riskiness of offshore  
 306 network investments.

307 In addition to the short-run marginal costs of generation, there are less tangible  
 308 contributions to the cost of generation. The first is attached to the curtailed energy



309 that cannot be used by consumers, either because they do not need it or because there  
310 is a grid congestion that prevents this energy from reaching them. The second  
311 component is related to the value brought by the grid to the whole power system  
312 when it acts as a partial substitute for generation investments. Simulations provide  
313 useful figures for both aspects through the expectation of residual unsupplied energy  
314 volumes. To be incorporated in the cost-benefits analysis, these quantities need to be  
315 given reference values, the choice of which is often controversial. In the framework  
316 of this study, it will be further shown that a parametric approach allows conclusions  
317 to be drawn that remain robust for a very wide range of assumptions.

## 318 **2.5 The ANTARES tool**

319 The study reported here has used the ANTARES analysis tool (Doquet et al, 2008;  
320 Doquet et al 2011) developed by the French system operator, RTE<sup>6</sup>, which has also  
321 been used in production of the European ‘Ten Year Network Development Plan’  
322 (TYNDP) on behalf of ENTSO-E (Ten Year Network Development Plan, 2012).  
323 ANTARES is a sequential Monte-Carlo based simulation tool designed to model the  
324 dispatch of thermal, hydro and intermittent generation with hourly time resolution,  
325 taking into account transmission constraints and demand variations. Generation and  
326 demand are described stochastically, reflecting both the auto correlation and spatial  
327 correlation functions associated with each variable and these are used to develop a  
328 least cost dispatch of generation (both hydro and thermal) for each hour of the year.  
329 The simulator was initially developed to assess generation adequacy but has  
330 subsequently been modified to address the economic effects of different system  
331 developments.

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<sup>6</sup> Réseau de Transport d'Électricité

332 ANTARES makes use of detailed hourly wind speed, demand and key generator  
333 parameters such as capacity, forced outage rates and operating cost. However, in  
334 order that credible hourly time series of dispatches can be produced, it also makes  
335 use of generator minimum on and off times as well as principal hydro characteristics  
336 such as typical monthly water inflows within a unit commitment process based on  
337 heuristics and defined operating reserve requirements that broadly represent how  
338 generation would actually be dispatched. Reserve requirements are defined at the  
339 level of an “ANTARES macro-node”, the size of which may vary from a single  
340 substation to a whole region (in this case, a single country or offshore wind  
341 generation area).

342 A particular feature of the ANTARES model is that it incorporates built-in  
343 generators of time-series of various kinds, including wind speeds and / or wind  
344 power, defined by suitable sets of parameters. The common principle of the modules  
345 dedicated to these variable power time-series is that the values they generate are  
346 hourly samples of twelve stationary stochastic processes (one for each month)  
347 characterized by:

- 348 ➤ A marginal law (e.g., a Weibull law in the case of wind speed, defined by  
349 two parameters, shape  $k$  and scale  $\lambda$  );
- 350 ➤ An autocorrelation parameter  $\theta$  , modelling the relationship between distant  
351 values in time as an exponential decay; and
- 352 ➤ An overall spatial correlation matrix between the stationary processes.

353 The method used to generate values meeting the first two commitments is based on  
354 the use of stochastic differential equations that define the processes mentioned above

355 as diffusion processes embedding ad hoc parameters (Bibby, Skovgaard and  
 356 Sorensen, 2005). For modelling the total wind power output at the scale of a whole  
 357 country, it was proposed by Doquet (2007) to use, for the marginal law of the  
 358 process, Beta distributions characterized by parameters  $\alpha, \beta$ .

359 The equation relevant for an  $X_t$  diffusion process auto-correlated through an  
 360 exponential decay of parameter  $\theta$  and having for marginal law a Beta distribution  
 361  $(\alpha, \beta)$  is as follows; in this expression,  $B_t$  denotes a standard Brownian motion:

$$362 \quad dX_t = \theta \left( \frac{\alpha}{\alpha+\beta} - X_t \right) dt + \left( \frac{2\theta X_t(1-X_t)}{\alpha+\beta} \right)^{1/2} dB_t$$

363 For modelling wind speeds following Weibull distributions of shape  $k$  and scale  $\lambda$ ,  
 364 the following formulas are used, in which  $\Gamma$  and  $\Gamma(\cdot; \cdot)$  denote respectively the  
 365 standard and (upper) incomplete Euler's Gamma functions:

$$366 \quad \text{Speed} = \lambda X_t \quad ; \quad \mu = \Gamma\left(1 + \frac{1}{k}\right)$$

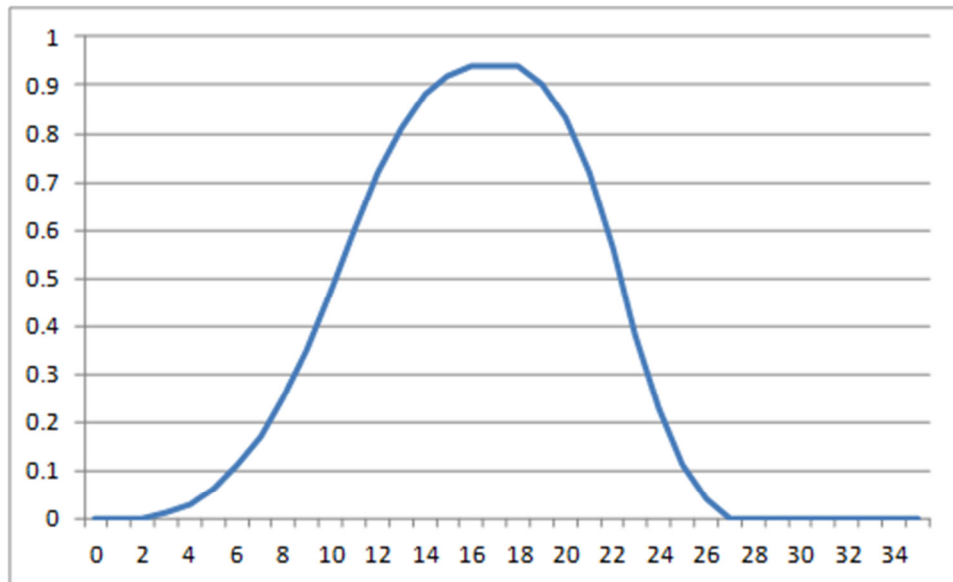
$$367 \quad dX_t = \theta (\mu - X_t) dt + \left[ \frac{2\theta}{k} X_t^{(1-k)} e^{(Xt^k)} \left[ \mu (1 - e^{(-Xt^k)}) - \Gamma(Xt^k; (1 + \frac{1}{k})) \right] \right]^{1/2} dB_t$$

368 In modelling flows of power across a network, it is essential to respect correlations  
 369 between generators at different locations. In the course of the practical generation of  
 370 values through a Euler discretization, the spatial correlations, are taken into account  
 371 by enforcing, for each hour, a particular correlation matrix applied to the Brownian  
 372 motions attached to each diffusion process. These hourly matrices are chosen so as  
 373 to make the final values of the sampled processes fit best the target correlation  
 374 matrix.

375       ➤ Since physical processes such as wind speeds are known not to be actually  
 376       stationary (it is unlikely that, in a given location, the statistical distribution of

377 speeds at 3 PM is exactly the same as at 3 AM), the modelling for time-  
378 series includes also, for each month, an average daily modulation curve (24  
379 values). These factors are used to modulate the stationary values generated  
380 beforehand and thereby make them more realistic.

381 ➤ At this stage, the generated values may or may not (depending on their  
382 nature) need to be processed through a final “wind-to-power” conversion  
383 module. In the case of wind speeds, this is where curves that cut-off low and  
384 high speeds come into play; due to smoothing effects depending on the size  
385 of the fleets pulled together in the same simulation node, this adjustable  
386 curve can be very different from a typical single-machine power conversion  
387 curve (Tradewind, 2009). An example of the power curve applied to the  
388 offshore wind farms is shown in Figure 5.



389

390 Figure 5 Characteristic lowland wind farm power curve

391 In the framework of this study, different sources were used for the parameters listed  
392 above regarding wind speeds and wind power levels.

393 For off-shore wind sites, where relatively little generation exists as yet, raw wind  
394 speeds were modelled and subsequently converted into power. In each location, the  
395 parameters of the Weibull processes came from analysis of the relevant outputs  
396 (100m-high) of a meteorological simulation model from Meteo France. The analysis  
397 of these data indicated that the shape parameters of the Weibull distributions to use,  
398 depending on their geographical location and on the month of the year, should lie in  
399 the range 1.9 to 2.5 with an average value of 2.2. Summer months favoured lower  
400 coefficients, whereas in winter steadier speeds (higher coefficients) were found.  
401 These figures, while slightly lower, are consistent with the findings of Archer and  
402 Jacobson (2003). Likewise, significant seasonal and geographical variations were  
403 observed for scale parameters, with a range of 7.5 to 14 and an average of 11.

404 As expected, spatial correlation decreased with distance: For instance, for two sites  
405 both located at 55° North but separated by 5° in Eastern longitude a 60 % correlation  
406 was identified, while 13° farther Eastward in the Baltic Sea, the correlation dropped  
407 to 20 %.

408 Regarding on-shore nodes, their very large size and the fact that significant  
409 generation fleets already exist made it admissible to model wind power directly and  
410 not wind speeds. As a consequence, Beta-type stochastic processes were used; their  
411 parameters came from analysis of publicly available wind power historical time-  
412 series for the different countries.

413 Finally, the spatial correlation matrix incorporated three kinds of terms:

- 414 ➤ Off-shore-to-off-shore terms which were given by the correlations between  
415 the original wind speed time-series used to identify the Weibull process  
416 parameters;

417       ➤ On-shore-to-on-shore terms which were given by the correlations between  
418           the historical wind power time-series used to identify the Beta process  
419           parameters; and

420       ➤ Off-shore-to-on-shore terms which were given by the correlations between  
421           off-shore wind speed time-series and on-shore wind speed time-series  
422           available for some locations.

423   It may be noted that, aside from this operating mode based on the most prominent  
424   statistical parameters characterizing the time-series to emulate, the ANTARES  
425   model is also able to use directly sets of ready-made time-series deemed to fit all  
426   theoretically desirable properties, provided that such databases are available. Beyond  
427   first-order statistical properties, the best solution of all would be to have access to  
428   time-series that fully reproduce all of the higher details of correlations through space  
429   and time). Such a database including all desired types of time-series across all  
430   Europe was not available at the time of the study and as a consequence, the  
431   ANTARES built-in time-series generators were used.

432   In the economic dispatch of available generation, fossil fuel plants are selected  
433   according to the “merit order”, with plant being scheduled on a least marginal cost  
434   basis subject to operational constraints such as a local plant’s dynamic constraints as  
435   well as wide-area grid constraints. The market is assumed to be “perfect” from every  
436   standpoint, which allows the problem to be formulated in classical terms. The  
437   economic problem can therefore be set out for each Monte-Carlo year of the sample  
438   as minimizing the overall generation cost throughout the year, while respecting:

- 439       (a)    Minimum and maximum power output of every available plant;
- 440       (b)    Minimum and maximum on and off duration of thermal plants;

- 441 (c) Monthly totals of available hydro energy;
- 442 (d) Maximum interconnection capacities between areas; and
- 443 (e) Binding constraints relating to interconnection capacities

444 From a practical standpoint, the simulator does not try to address the problem of the  
445 annual optimization of the operation of the whole system as a single but very large  
446 problem. More realistically and efficiently, once hydro credits have been broken  
447 down from the yearly scale to the monthly scale, and then from the monthly scale to  
448 the weekly scale, the rationale is to analyze one “Monte-Carlo year” from the  
449 beginning to its end by a succession of weekly independent optimization problems:  
450 as a result the large annual problem is converted into a set of 52 smaller ones.

451 Pumped storage power plants, and other kinds of special devices, can be modelled by  
452 introducing into the system various virtual elements (dummy collecting nodes,  
453 dummy outlet nodes, etc.) connected to the actual system for which power exchanges  
454 are restricted by “binding constraints” that permit the efficiency rate of the facility to  
455 be represented. As a result, the economic behaviour of the PSP can be modelled as  
456 realistically as possible, its operation being dependent on the price variations  
457 between peak- and off-peak hours.

458 Reflecting all these uncertainties and interactions requires the simulation of a large  
459 number of years of operation in a sequential Monte-Carlo approach, typically  
460 thousands of them if a loss of load probability is to be estimated with any degree of  
461 confidence, although the type of economic analysis made here can be conducted with  
462 fewer trials (up to a few hundred). Even so, this is computationally intensive even for  
463 the relatively simplified network presented here. With roughly 1200 different power  
464 stations or wind farms and 56 zones or putative offshore hub locations represented as

465 single nodes with interconnections between them based on NTCs, a sequential  
466 simulation of each hour of operation in hundreds of different years requires  
467 significant computation time on a typical office PC and yields a huge amount of  
468 information requiring analysis.

### 469 **3 Results and Discussion**

470 Simulations were carried out for all the principal network configurations in 2020 and  
471 2030, with only the latter presented here for the sake of clarity. Output parameters  
472 were compared, sensitivity to merit order examined and cost benefit analyses carried  
473 out.

#### 474 **3.1 Comparison of output metrics**

475 For each of the network configurations, the primary output metrics considered were:  
476 annual CO<sub>2</sub> emissions (mt); the annual energy production from different types of  
477 thermal and renewable generation (TWh); available but unused zero marginal cost  
478 energy or curtailed energy, i.e. available energy that, based on relative marginal  
479 prices in a given period, would normally be used but, for technical reasons, cannot  
480 be (TWh); and unsupplied energy, i.e. demand for energy by consumers that could  
481 not be served (TWh).

482 Summary results for the 2030 are presented in Table 4 for the network cases  
483 described in Section 2.2 and for a carbon price of €21 / t; the values are the expected  
484 values across all Monte Carlo simulation years. The absolute values for the No Wind  
485 case are shown in column 1 of Table 4, providing a benchmark case in which no  
486 offshore wind generation or associated grid is developed, while columns 2 to 4 show  
487 the *changes* in each of the measures relative to the No Wind case. It can be seen in  
488 column 4, for example, that generation from nuclear, fossil fuels, hydro and



489 renewables increases by 5.7TWh, exactly balancing the change in net PSP load  
 490 (down 0.7TWh) and unsupplied energy (down by 6.4TWh).

491 Table 4 Comparative 2030 results for carbon price of €21 / t (base case merit order)

<i>All TWh except CO<sub>2</sub> in millions of tonnes</i>	<b>Absolute No Wind</b>	<b>Relative to No Wind Case</b>		
		<b>Radial</b>	<b>Radial+IC</b>	<b>H-grid</b>
Load	3987.1	0.0	0.0	0.0
Unsupplied energy	9.7	-4.3	-6.1	-6.4
Net pumped storage load	-13.5	0.4	-0.7	-0.7
Effective net load	3990.9	4.7	5.4	5.7
Coal	894.3	-56.8	-35.3	-33.1
Lignite	336.8	-2.0	-0.3	0.1
Gas	704.2	-106.9	-130.8	-141.0
Other dispatchable fossil fuelled generation	27.2	-4.7	-5.7	-6.2
Nuclear	556.7	-1.0	0.4	0.7
Other non-dispatchable generation	233.5	233.5	233.5	233.5
Hydro	654.5	0.0	0.0	0.0
Wind	341.6	176.1	177.1	185.2
Solar	242.0	242.0	242.0	242.0
Total renewable generation (hydro, wind, solar)	1238.1	176.1	177.1	185.2
Total generation	3990.9	4.7	5.4	5.7
Net curtailed energy	10.2	13.8	12.8	4.7
CO <sub>2</sub> emissions	1506.8	-101.0	-89.8	-91.9

492

493 The new offshore wind capacity has the effect of increasing total wind generation  
 494 from 342TWh (if no new offshore wind is present) to 518TWh in the Radial case,  
 495 leading to a CO<sub>2</sub> emissions saving of 101mt. Wind production now exceeds both  
 496 nuclear and lignite, contributing 13%, while hydro provides 16% of production and  
 497 solar 6%. Curtailed energy reaches 24TWh and while this cannot all be identified as  
 498 curtailed wind energy, it may be assumed that a large part of it is wind, at least  
 499 overnight and during winter. At noon and in summer, a significant share of the  
 500 spillage could have to be imposed on solar producers. Note that, since a large part of  
 501 the generating fleet is still made up of thermal plants, spilled renewable energy can,  
 502 in some instances, be interpreted as green energy making way for thermal power  
 503 that cannot easily be scheduled off because of minimum power stability constraints.

504 The fact the H-grid reduces spilled energy by a large amount can be interpreted as a  
505 side-effect of its being able to foster exchanges between the main interconnected  
506 areas more efficiently than the other structures. This curtailed energy represents 1%  
507 of total wind production while unsupplied energy, at 5TWh, is ~0.1% of total  
508 demand.

509 Column 3 shows the effect of adding 3GW of additional point-to-point capacity,  
510 giving rise to an increase in usable wind production of 1TWh, while in the H-grid  
511 case (column 4) the increase in wind production is significantly greater at 9TWh.

512 The net effect of adding offshore wind is to reduce CO<sub>2</sub> emissions intensity by  
513 between 0.38mt / TWh and 0.35mt / TWh according to the network case. This  
514 supports the case for a coordinated grid although it should be noted that it is difficult  
515 to fully assess the equivalence of the configurations from a capacity perspective.

516 While the extra interconnection capacity in the Radial + IC and H-grid cases does  
517 facilitate an increase in the utilisation of low carbon generation, with the generation  
518 merit order assumed to be as it is in 2013, the simulations also show an *increase* in  
519 CO<sub>2</sub> emissions in these cases relative to the Radial case amounting to around 11mt.

520 This non-intuitive result stems from the increased utilisation of cheaper coal and  
521 lignite in place of more expensive, but lower carbon, gas.

### 522 **3.2 Effects of merit order reversal**

523 It might plausibly be argued that the increasing carbon emissions evident when more  
524 interconnection capacity is added can be obviated by a change in the merit order of  
525 fossil fuelled generation. In the absence of market driven changes to the prices of  
526 gas, coal and lignite, this could be effected through an appropriate CO<sub>2</sub> price. The  
527 reverse merit order results are shown in Table 5 in terms of differences from the  
528 results for the “forward” merit order case.

529 Table 5 Summary 2030 results for carbon price of €85 / t (reverse merit order):  
 530 change relative to base case

<i>All TWh except CO<sub>2</sub> in millions of tonnes</i>	No Wind	Radial	Radial + IC3	H-grid
Lignite	-265.7	-271.4	-277.0	-278.5
Coal	-278.8	-321.2	-355.5	-362.8
Gas	539.7	587.7	627.8	637.3
Other dispatchable fossil fuelled generation	0.0	0.0	0.0	0.0
Nuclear	0.3	0.1	0.1	0.2
Other non-dispatchable generation	0.0	0.0	0.0	0.0
Hydro	0.0	0.0	0.0	0.0
Wind	0.3	1.2	1.1	0.4
Solar	0.0	0.0	0.0	0.0
Total renewable generation (hydro, wind, solar)	0.3	1.2	1.1	0.4
Net pumped storage production	4.2	3.6	3.5	3.4
Unsupplied energy	0.0	0.0	0.0	0.0
Net curtailed energy	-0.3	-1.2	-1.1	-0.4
CO <sub>2</sub> emissions	-336.6	-363.2	-385.2	-390.0

531

532 The effect of the change in carbon price is dramatic, with coal and lignite production  
 533 down by 321TWh and 271TWh respectively and gas production up by 588TWh to  
 534 compensate. The consequence of this is to significantly reduce carbon emissions,  
 535 relative to the €21/t case, with the reduction ranging from 363mt in the Radial case  
 536 to 390mt in the H-grid case. The relative shift increases as the configuration moves  
 537 from Radial to Radial+IC to H-grid; for example, coal is down by 321TWh in the  
 538 Radial case, 356TWh in the Radial+IC case and 363TWh in the H-grid case. The  
 539 emissions intensity decreases to 0.26mt / TWh in the H-Grid case, indicative of  
 540 relatively greater access to lower carbon generation that appropriately configured  
 541 interconnection capacity affords.

### 542 3.3 Cost-Benefit Analysis

543 In order to examine the economic benefits of one network structure relative to  
 544 another, the levelised annual cost of each network configuration is compared and in  
 545 turn compared with annual operating costs of generation. This does not constitute an  
 546 investment appraisal of the H-grid itself that should take account of the remuneration

547 that would be available to the transmission network developer but rather examines  
 548 whether the additional costs (if any) that are incurred are justified by a reduction in  
 549 the cost of generation and volumes of CO<sub>2</sub>. The results are shown in Table 6.

550 Table 6 Estimated annualised costs and benefits in 2030 for €21 / t carbon price

€m	Relative to Radial Case		
	Radial + IC	H-grid (Low)	H-grid (High)
Capital Cost Difference	463	773	2401
Operational Cost Difference	-223	-668	-668
Net Benefit	-240	-105	-1,733

551

552 The first row of Table 6 shows the comparison of the resulting levelised annual cost  
 553 of each of the interconnected configurations against the cost of the Radial case. The  
 554 relative increase in capital cost of the Radial + IC case is €463m while the H-grid is  
 555 heavily dependent on the approach taken to system protection; in the H-Grid (Low)  
 556 case, where no DCCBs are included, the network would show annualised capital  
 557 costs relative to Radial of €773m, whereas in the H-Grid (High) case, annual costs of  
 558 €2,401m are imputed. Table 7 show the sensitivity of the comparison to the capital  
 559 cost of the DC breakers.

560 Table 7 Sensitivity of H-Grid benefit to DC breaker cost at €21 / t carbon price

€m	Realistic Case (€15m)	Optimistic case (€3m)
Capital Cost Difference Incl. DC Breakers	1,661	1,306
Net Benefit Incl. DC Breakers	-993	-638

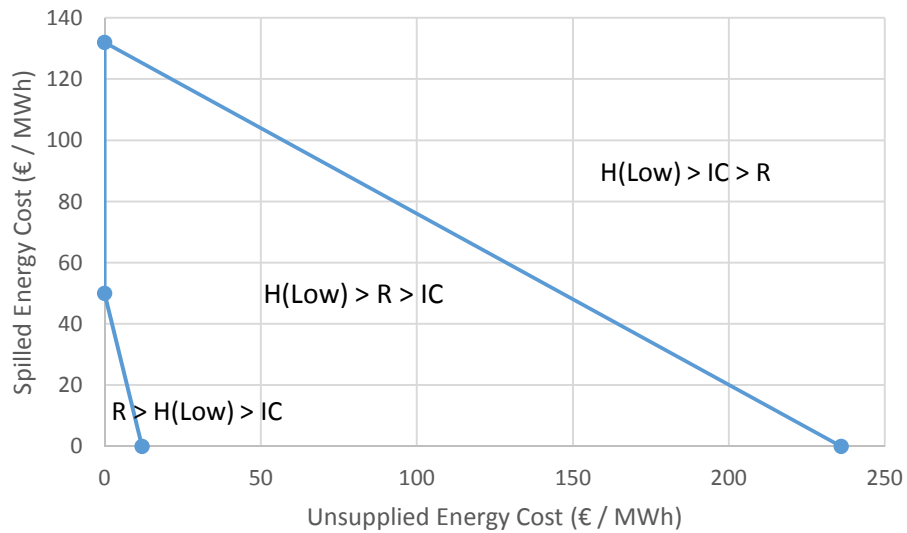
561

562 The operational cost difference shown in Table 6 includes only actual expenses (fuel  
 563 costs, O&M costs, etc.) and does not include the other components (or externalities)  
 564 mentioned in 2.4, i.e. curtailment cost or unsupplied energy value. Each of the  
 565 configurations with extra offshore wind capacity brings operational cost savings with

566 respect to the Radial case, as would be anticipated, ranging from €223m per annum  
567 for Radial + IC case to €668m for the H-Grid.

568 Although none of the configurations with additional inter-regional capacity shows a  
569 net benefit over the Radial case when no cost is imputed against curtailed energy,  
570 given policy makers' ambitions for utilisation of renewable energy and the priority  
571 system access typically granted to them, an opportunity cost associated with  
572 curtailment of renewables might also be quantified, a view supported by De Jonghe  
573 et al (2011) and Xu and Zhuan (2013). If costed at the level of lost income to  
574 renewables operators, including that not received from renewables financial support  
575 mechanisms, this cost can reach very high values. One approach to quantifying this  
576 cost would be to apply an average price paid to wind farms by the TSO for reducing  
577 load which, based on empirical data from Britain, is of the order of €100 per MWh  
578 (Carnwath, 2011). Similarly a value should be attributed to unsupplied energy and  
579 while the cost of this is contested in the literature, figures for the value of lost load  
580 range between €15,000/MWh (REALISEGRID, 2013) and €60,000/MWh (the  
581 Secure Project) with Karuki and Allan (1996) falling between in their "by energy"  
582 analysis. These very high values, however, often refer to "unpredictable" unsupplied  
583 energy, such as that which can affect a load disconnected from the power system as  
584 the consequence of short-circuits or other incidents on the grid. An alternative  
585 approach, more suited to larger and more predictable conditions, such as a shortfall  
586 of generating power to face all the peak demand a few years ahead, regardless of the  
587 grid conditions, would be to apply the marginal operating cost plus annualised  
588 capital cost of typical peaking on-shore plants. This would lead to figures in the  
589 range of a few hundred of Euros per MWh (Lazard, 2014).

590 Figure 6 presents an overall parametric comparison between Radial, Radial+IC and  
 591 H-Grid (Low) as the cost attributed to spilled and unsupplied energy is varied. It  
 592 seems clear from this analysis that, unless both spilled energy and unsupplied energy  
 593 are valued using very low prices, the H-grid structure is preferable to the other two.



594

595 Fig 6 Relative merit of network configurations as a function of cost of spilled and  
 596 unsupplied energy at a carbon price of €21 / ton

597 (Note:  $x > y$  indicates that configuration  $x$  is preferred to configuration  $y$ )

#### 598 4 Conclusions

599 The work described in this paper had the aims of investigating the benefits of  
 600 integrating new offshore wind energy and of testing the widely held belief that the  
 601 utilisation of renewable energy will be increased by an increase in transmission  
 602 capacity in Europe with resulting benefits in terms of CO<sub>2</sub> emissions. More  
 603 specifically, it has tested the expectation that system benefits are to be gained by  
 604 increasing network capacity offshore in a coordinated way as offshore wind  
 605 generation capacity is increased. In general, network capacity connecting different  
 606 areas may be expected to offer a number of significant benefits, e.g. to permit local

607 surpluses of wind power to be used more widely, to allow reserve power to be held  
608 remote from a particular area (minimising the total reserve holding) and to increase  
609 the utilisation of renewable energy. However, the precise level of benefit of new  
610 offshore power transfer capacity is uncertain and, even for a particular background  
611 of installed generation capacity, varies significantly due, in particular, to the  
612 variation of weather from year to year and uncertainty in prices of conventional  
613 fuels.

614 The results show that a coordinated, offshore, multi-terminal HVDC grid in an H-  
615 grid configuration, designed to facilitate both bringing wind power to shore and the  
616 exchange of power between regions, could provide system operational benefits  
617 relative to simple radial connection of the offshore generation. These benefits  
618 include reduction in use of high cost generation, reduced wind generation  
619 curtailment and, depending on the merit order of fossil fuelled generation, lower CO<sub>2</sub>  
620 emissions.

621 While increased inter-regional interconnectivity facilitates increased utilisation of  
622 wind, with 2013 patterns of fuel prices, it would also allow the wider utilisation of  
623 lignite and coal production and hence increased carbon emissions unless the price of  
624 carbon is sufficient to cause a reversal of the merit order such that gas-fired  
625 combined cycle gas turbine generation is favoured over lignite and coal. This  
626 suggests that incentivising investment in renewable generation and network capacity  
627 may not, depending on relative fuel prices, be sufficient to bring about a decrease in  
628 carbon emissions associated with electrical energy. Moreover, analysis of the flows –  
629 for reasons of brevity, not reported here – highlighted the importance of being able  
630 to model the complexities associated with system operation, such as the efficient  
631 utilisation of pumped storage plant.

632 Given the assumptions used in this study, when operational cost savings (in terms of  
633 fuel costs for generators) are compared with relative investment costs (levelised on  
634 an annual basis), the H-grid design examined in this study does not provide  
635 significant benefit compared with simple radial connection of new offshore wind  
636 generation and the relative merit of different network configurations is affected by  
637 the value applied to curtailed energy reflecting the improved performance of the H-  
638 Grid in particular in bringing offshore wind ashore. Similarly, the value applied to  
639 energy demand not served would have a considerable impact on the results. The  
640 results are also sensitive to structural issues such as (1) the approach taken to  
641 protection and control and, (2) the capital costs of DC circuit breakers.

#### 642 **4.1 Future work**

643 Through advanced modelling of the European power system, the work to date has  
644 provided insight into the value that additional offshore network capacity can bring  
645 and the parameters by which its contribution can be measured. These include an  
646 examination of the capital cost of network elements and the change in the dispatch of  
647 generation of different types, which has allowed key identifying features to be  
648 understood. However, in order to further examine the relative merits of the H-grid  
649 approach further work will seek to optimise the design through more thorough  
650 analysis of network utilisation and to quantify the benefits to wind farm operators of  
651 having multiple paths to shore. In addition, work is planned to investigate alternative  
652 network configurations that do not require DC breakers.

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656

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