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## Residual Load, Renewable Surplus Generation and Storage Requirements in Germany<sup>1</sup>

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**Abstract:** We examine the effects of increasing amounts of fluctuating renewable energy on residual load. We draw on policy-relevant scenarios for Germany and make use of extensive sensitivity analyses. Our simulations show that the expansion of fluctuating renewables shifts the right-hand side of the residual load curve downwards. Whereas yearly renewable surplus energy is low in most scenarios analyzed, peak surplus power can become very high. Decreasing thermal must-run requirements and increasing biomass flexibility substantially reduce surpluses. Using an optimization model, we determine the storage capacities required for taking up renewable surpluses, allowing for varying levels of curtailment. Allowing curtailment of 1% of the yearly feed-in of non-dispatchable renewables would render storage investments largely obsolete until 2032 under the assumption of a flexible power system. Further restrictions of curtailment and lower system flexibility strongly increase storage requirements. Our results suggest that policy makers should not be too concerned about additional storage for taking up renewable surpluses, but should rather focus on measures to avoid surplus generation in the first place, in particular by decreasing the must-run of thermal generators. In a sufficiently flexible power system, minor renewable curtailment does not impede achieving the German government's renewable energy targets.

JEL codes: Q42; Q47; Q48

Keywords: Renewable energy; Residual load; Storage;

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# 1 Introduction

The German government has decided to phase out nuclear power completely by 2022. At the same time, renewable power generation is to be expanded substantially. Renewable energy sources (RES) have to account for at least 35% of German gross electricity consumption by 2020 (BMW i and BMU, 2010). This share was around 6% in the year 2000 and grew to 23% by 2012 (BMU, 2013). The target values for 2030, 2040 and 2050 are 50%, 65% and 80%, respectively. The largest part of renewable power will come from wind and photovoltaics (PV). According to the medium scenario of the network development plan drafted by German transmission system operators (TSOs) in 2012, onshore and offshore wind account for around 45% of gross power demand by 2032, whereas PV contributes around 10% (NEP 2012, scenario 2032B). Afterwards, the shares of wind and solar are projected to grow further until 2050 (cp. DLR et al. 2012)<sup>2</sup>.

Wind power and PV differ from conventional power generators in many respects (cp. Joskow 2011, Hirth 2013). In particular, their power production is fluctuating, as the hourly generation capacity strongly depends on weather and season, as well as on the time of the day. Moreover, generation is only weakly correlated with hourly load profiles. Growing shares of these technologies thus have a strong influence on residual load, for example resulting in temporary situations of both power shortage and renewable surplus generation (Denholm and Hand 2011). Integrating growing amounts of wind and PV into the power system thus increasingly requires the application of dedicated integration measures, among them different types of energy storage, demand-side measures, network expansion, flexible thermal back-up plants and renewable curtailment (NREL 2012).<sup>3</sup>

In this paper, we study the effects of future renewable expansion on residual load in Germany under a range of varying assumptions. We are particularly interested in the power and energy of temporary

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<sup>2</sup> An English summary of DLR et al. (2012) is provided by Pregger et al. (2013).

<sup>3</sup> Renewable integration studies that focus on specific flexibility options in the German context are provided by Dena (2011) and VDE (2012a, b and c). Sioshansi et al. (2012) point to technical issues as well as policy-related barriers to actual storage deployment in power markets. Borden and Schill (2013) review policy efforts for storage development in the U.S. and Germany.

renewable surplus generation.<sup>4</sup> We also investigate which capacities of different storage technologies would be required for taking up temporary renewable surpluses. As an alternative to power storage<sup>5</sup>, we also consider temporary curtailment<sup>6</sup> of renewable generators. In doing so, we specifically explore the interrelation of storage and renewable curtailment: how do storage requirements vary different levels of allowed curtailment? The analysis includes a large number of sensitivities with respect to the development of the plant fleet, thermal must-run restrictions, the flexibility of biomass generators, various meteorological wind and PV years, and improvements in energy efficiency. The scenarios used draw on quasi-official projections of the German network development plan (*Netzentwicklungsplan*, NEP 2012) for the years 2022 and 2032, and on a quasi-governmental long-term scenario for 2050 (DLR et al. 2012).

Different aspects of renewable surplus generation, curtailment and storage requirements have been analyzed in the international literature. Denholm and Sioshansi (2009) show how wind power revenues could be improved in U.S. power systems by avoiding curtailment with a mix of storage and network investments. Denholm and Hand (2011) simulate different scenarios with high shares of variable renewables in the Texas power system. They show that increasing system flexibility substantially reduces surpluses. For very high renewable penetrations, both daily storage and demand-side management are required for avoiding excessive curtailment. Carson and Novan (2013) evaluate the social benefits of additional bulk storage in Texas. Because of low renewable penetration, storage cannot be used to avoid renewable curtailment. As a consequence, additional storage increases base load generation and emissions of CO<sub>2</sub> and SO<sub>2</sub>. Esteban et al. (2012)

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<sup>4</sup> The left-hand side of the residual load curve, i.e., peak load, is not a major concern in this analysis, as generation capacity is adequate in all scenarios.

<sup>5</sup> To be more precise, we focus on power-to-power storage, which draws power from the grid and feeds back power to the system in later periods. We do not consider other storage options that transform electric power to other energy carriers, for example power-to-heat or power-to-gas. Beaudin et al. (2010) review the status quo, development potentials and challenges of different electricity storage technologies that can be applied for wind and solar power integration. Østergaard (2012) compares different storage options in a 100% renewable energy scenario for a Danish city and shows that power storage can better facilitate wind integration compared to biogas storage or heat storage.

<sup>6</sup> Jacobsen and Schröder (2012) define different categories of renewable curtailment. Drawing on case studies, they show that – contrary to public belief – some level of curtailment of variable renewables is optimal from a system cost perspective, for example by avoiding excessive grid investments.

determine the storage capacities required in a 100% renewable power scenario for Japan largely based on wind and solar power. Battery storage with a capacity of 41 TWh would be accompanied by nearly 20 GW of pumped hydro, compared to a peak demand of more than 240 GW. Mason et al. (2013) develop a fully renewable scenario for New Zealand and find that wind curtailment can be largely eliminated by pumped hydro storage. Yet this system is hydro-dominated with wind constituting only around a quarter of the energy mix, so it can hardly be compared to systems with high shares of fluctuating renewables.

In the following, we present related literature with a European focus. Pérez-Arriaga and Batlle (2012) review the challenges of integrating increasing amounts fluctuating renewables into power systems and identify necessary regulatory adjustments. Lise et al. (2013) quantify the costs of renewable integration and present European residual load duration curves, according to which considerable renewable surpluses occur by 2050 even under the assumption of extensive interconnection. According to Rasmussen et al. (2012), a fully renewable pan European power system could be achieved with a combination of moderate over-capacities of wind and solar, 2.2 TWh of short-term storage and 25 TWh of seasonal storage because of synergies between storage and balancing. Tuohy and O'Malley (2011) analyze the impact of additional pumped storage on wind curtailment in the Irish power system. They find that building new storage is only economic for very high levels of wind penetration, whereas curtailment is cheaper for moderate shares of wind power.

As for Germany, the much-discussed '*Energiewende*' has increased interest in the future development of residual load, renewable surpluses and storage requirements. Wagner (2014) develops a model for residual demand in order to simulate the effect of fluctuating renewables on prices in the German day-ahead market. Steffen and Weber (2013) use load-duration curves to model efficient power storage investments for the integration of fluctuating renewables. Agora

(2012) simulate German residual load in the year 2022, drawing on weather data of 2011.<sup>7</sup> Excluding must-run constraints and trade with neighboring countries, they determine around 200 hours of renewable surplus generation. EWI (2013) use a cost-minimizing dispatch model that includes internal transmission constraints and cross-border trade to show that hardly any renewable curtailment should be expected until 2022 in Germany if existing transmission bottlenecks are removed. BET (2013) determine yearly surplus generation of around 2 TWh by 2020 and 35 TWh by 2030 for Germany, assuming thermal must-run of 10 GW in 2020 and 5 GW in 2030 and flexible biomass generation. With sufficient flexibilization of both the demand side and the supply side, additional storage capacity is required only after 2030. VDE (2012a) analyze cost-minimizing renewable curtailment and the demand for additional storage capacity for renewable shares of 40%, 80% and 100%. They find 44, 2329 and 4271 hours of negative residual load for the respective scenarios. Peak surplus power is 10 GW (40%), 50 GW (80%), and 81 GW (100%), respectively. Hardly any additional storage is required in the 40% scenario. With 80% renewables, 14 GW / 70 GWh of short-time storage and 18 GW / 7.5 TWh of seasonal storage are required in an optimized scenario that also makes use of other flexibility options. In order to avoid the remaining curtailment, storage capacities would have to double. Storage requirements increase further in the 100% scenario. SRU (2011) also develop a 100% renewable power scenario for Germany. If large-scale power exchange with either Scandinavia or Northern Africa is not possible, temporary surplus power generation may rise to 209 GW (scenario 1.b), and total yearly surplus energy may exceed 53 TWh (scenario 1.a). Accordingly, up to 37 GW of new compressed air storage would be required in order to accommodate a large share of these surpluses.<sup>8</sup>

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<sup>7</sup> In September 2013, Agora published updated simulations for the years 2023 and 2033 in the form of presentation slides. However, a written report of this analysis, which also includes a spatial component, is not available so far. Importantly, Agora shows renewable and conventional generation in a graphic representation for every subsequent hour of the year. In contrast, we present our simulation results in an aggregated form, for example in the form of load-duration curves, bar charts and histograms.

<sup>8</sup> In a survey article, Steffen (2012) reviews the current developments and medium-term prospects of pumped hydro storage in Germany and finds that there is now a surge of new projects after around three decades without major developments. Yet the profitability of many of these projects remains questionable.

Our analysis aims to further the understanding of renewables' impacts on residual load in power systems with high shares of fluctuating renewables. We moreover shed light on the interaction of power storage and renewable curtailment. Extensive sensitivity analyses provide insights how residual load and storage requirements depend on the development of exogenous key parameters, in particular regarding the flexibility of thermal generators. This allows drawing more general conclusions which are not only relevant for Germany, but also for other countries with thermal power systems that undergo a transformation towards fluctuating renewable power.

## **2 Materials and methods**

We include a large number of sensitivities which requires making a range of simplifying assumptions. First, we consider Germany to be both an island and a copper plate. That is, we neglect power exchange with adjacent countries and assume perfect network extension within the country. Moreover, we abstract from a detailed representation of flexibility restrictions of thermal generators. Instead, we approximate flexibility restrictions with an aggregated thermal must-run constraint. Regarding storage, we include three stylized technologies. We do not consider other flexibility options such as demand-side management or transmission expansion.

### **2.1 Calculation of residual load and renewable surpluses**

Residual load is calculated by subtracting hourly generation from onshore wind, offshore wind, PV and run-off-river hydro as well as must-run requirements of thermal generators from hourly demand data. Generation from biomass<sup>9</sup> is also subtracted in the cases in which biomass generation is assumed to be inflexible. Residual load, renewable surpluses and load gradients are then sorted in descending order so as to derive load-duration curves. In addition, we evaluate the cumulative surplus energy of all contiguous hours during which residual load is negative ("connected surpluses"). For every surplus event (for example, area A in Figure 1), we check if the cumulative energy of the subsequent period of positive residual load (B) is larger than the previous connected surplus energy.

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<sup>9</sup> In the following, generation from biomass refers not only to the combustion of solid biomass but also biogas and biogenic shares of municipal waste.

If this is not the case, we add the energy of the next surplus event (C) to the connected surplus, and subtract the positive residual energy in between the two surplus events (connected surplus energy =  $A-B+C$ ), and so on. This approach leads to a lower number of connected surplus events and at the same time to higher surplus energy compared to just looking at isolated surplus events, and is well suited to illustrate the requirements for storage.

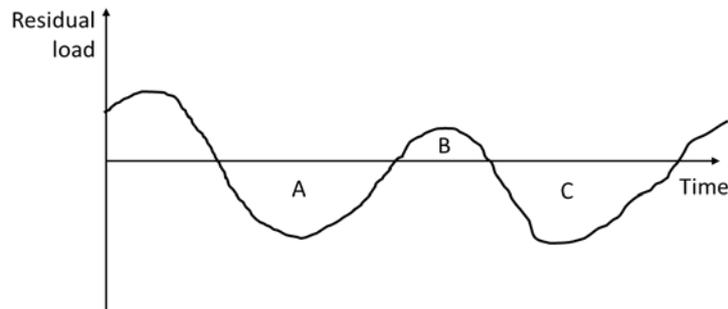


Figure 1: Calculation of connected surplus energy

## 2.2 A model to determine storage requirements

In order to determine storage requirements for taking up excess renewable generation, we use a simple linear cost minimization model which simultaneously optimizes storage investments and hourly dispatch of both power plants and storage capacities. Exogenous model parameters include hourly power demand, generation capacities, the availability of renewable generators, and variable generation costs.<sup>10</sup> Storage investment costs and roundtrip-efficiencies are also exogenous. Endogenous variables include storage investments, dispatch of existing and new storage capacities, conventional power plant dispatch, and renewable curtailment. Table 5 in the Appendix provides a list of sets and indices, parameters and variables.

<sup>10</sup> It is important to note that storage investments are optimized in the context of exogenous generation capacities. Peak load supply is not a concern in the scenarios used here. In an optimized system with endogenous generation capacities, storage may have a capacity value, which is neglected here. In addition, the possible system value of storage due to the provision of ancillary services is not considered (cp. Beck et al. 2013).

$$\min \text{cost} = \sum_{t,tech} v_{c_{tech}} q_{tech,t} + \sum_{t,stor} v_{stc_{stor}} stor_{out_{stor,t}} + \sum_{stor} i_{c_{stor}} inv_{stor} \quad (1)$$

subject to

$$q_{tech,t} - \bar{q}_{tech} \leq 0 \quad \forall tech, t \quad (2)$$

$$mu_{strun} - \sum_{tech} q_{tech,t} \leq 0 \quad \forall t \quad (3)$$

$$bio_t - \bar{bio} \leq 0 \quad \forall t \quad (4)$$

$$\sum_t bio_t - \overline{yearlybio} \leq 0 \quad (5)$$

$$re_{ncurt}_t - windon_t - windoff_t - pv_t - hydro_t \leq 0 \quad \forall t \quad (6)$$

$$\sum_t re_{ncurt}_t - allow_{curt} \sum_t (windon_t + windoff_t + pv_t + hydro_t) \leq 0 \quad (7)$$

$$storin_{stor,t} - \overline{storin}_{stor} - inv_{stor} \leq 0 \quad \forall stor, t \quad (8)$$

$$storout_{stor,t} - \overline{storout}_{stor} - inv_{stor} \leq 0 \quad \forall stor, t \quad (9)$$

$$storlevel_{stor,t} - storlevel_{stor,t-1} - storin_{stor,t} \eta_{stor} + storout_{stor,t} = 0 \quad \forall stor, t \quad (10)$$

$$storlevel_{stor,t} - \overline{storlevel}_{stor} - inv_{stor} e_{pratio}_{stor} \leq 0 \quad \forall stor, t \quad (11)$$

$$\sum_{tech} q_{tech,t} + windon_t + windoff_t + pv_t + hydro_t + bio_t + \sum_{stor} (storout_{stor,t} - storin_{stor,t}) - re_{ncurt}_t - dem_t = 0 \quad \forall t \quad (12)$$

Renewables do not appear in the objective function (1) as they are assumed to generate power with zero marginal costs. In contrast, generation  $q_{tech,t}$  from thermal generators incurs positive variable costs  $v_{c_{tech}}$ .<sup>11</sup> Storage output  $stout_{stor,t}$  may also have positive marginal costs  $v_{stc_{stor}}$ .<sup>12</sup> Furthermore, investment into storage technologies  $inv_{stor}$  incurs (annualized) investment costs  $i_{c_{stor}}$ . Conventional generation faces a capacity constraint  $\bar{q}_{tech}$  (2). Dispatch of thermal generators may be constrained by an aggregated must-run requirement  $mu_{strun}$  (3). Flexible generation  $bio_t$  from biomass is not only restricted by a capacity constraint  $\bar{bio}$  (4), but also by a yearly energy constraint  $\overline{yearlybio}$  (5). In case of inflexible biomass generation, the variable  $bio_t$  is fixed to a yearly average value, such that aggregated generation over the year equals  $\overline{yearlybio}$ . Hourly

<sup>11</sup> In the application presented in the following, conventional technologies  $tech$  are elements of a technology set  $TECH$  which includes nuclear, lignite, hard coal, natural gas, oil and other technologies.

<sup>12</sup> Storage technologies  $stor$  are elements of a technology set  $STOR$ , which includes hourly, daily and seasonal storage. In the numerical application, we abstract from variable storage costs other than roundtrip losses.

renewable curtailment  $rencurt_t$  has to be smaller than the sum of fluctuating renewable generation from onshore wind ( $windon_t$ ), offshore wind ( $windoff_t$ ), PV ( $pv_t$ ), and run-off-river hydro ( $hydro_t$ ) (6). Overall yearly renewable curtailment may be restricted by a factor of allowed curtailment  $allowcurt$  of yearly generation from non-dispatchable renewables (7). Such restrictions of curtailment may not be optimal from a system cost perspective, but can be practically relevant for environmental or political reasons.<sup>13</sup>

Storage inflows  $storin_{stor,t}$  and outflows  $storout_{stor,t}$  are restricted by initial capacities  $\overline{storin}_{stor}$  and  $\overline{storout}_{stor}$  and additional capacity investments  $inv_{stor}$  (8 and 9). The storage level  $storlevel_{stor,t}$  follows a law of motion equation, considering storage inflows and outflows as well as losses due to imperfect roundtrip efficiency  $\eta_{stor}$  (10). The upper bound for the storage level variable is given by initial storage capacity  $\overline{storlevel}_{stor}$  and storage capacity investments (11). As for the latter, we assume a fixed energy-to-power ratio  $epratio_{stor}$ , which links investments into charging and discharging power  $inv_{stor}$  (in MW) to the storage's energy capacity (in MWh). There is no upper bound for storage investments. An energy balance restriction requires hourly demand  $dem_t$  to match supply any time (12).

### 2.3 Scenarios for 2022 and 2032

The scenarios for 2022 and 2032 draw on generation capacities of the German network development plan (NEP 2012). This plan has been drafted by the German TSOs and was approved by the regulator after a series of public consultations. It is a major component of the *Bundesbedarfsplan* (Federal Requirements Plan) of 2013 and thus constitutes a quasi-official document. The NEP (2012) includes three scenarios for the year 2022 (A, B, C) with varying assumptions on renewable and conventional capacity developments. Scenario A is designed to achieve the German government's energy and climate targets. Scenarios B and C are more ambitious with respect to renewable energy

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<sup>13</sup> Curtailing power with zero CO<sub>2</sub> emissions may be problematic from a climate policy perspective, in particular if combined with thermal must-run capacity. Moreover, uncompensated curtailment harms the profits of renewable generators. Uncertainty about compensation may increase the financing costs of renewable investments. Compare Jacobsen and Schröder (2012).

deployment. Scenario B, which is regarded as a reference scenario, is extended to 2032. Table 1 shows installed capacities for all scenarios. Overall conventional generation capacities are largely the same in all future scenarios, with more lignite and coal in scenario A and more natural gas in scenarios B and C.<sup>14</sup> Nuclear power is phased out completely by 2022 according to German legislation. Renewable capacities increase strongly, which reflects their comparatively low capacity factor. Among the 2022 scenarios, wind onshore and offshore capacities are largest in scenario C, whereas the largest PV capacity is found in scenario B. Renewable capacities are largest in B 2032. Around 90% of the renewable capacity in B 2032 is made up of fluctuating wind and solar.

**Table 1: Generation capacities in the scenarios for 2022 and 2032 in GW (NEP 2012)**

	<b>2010</b>	<b>A 2022</b>	<b>B 2022</b>	<b>C 2022</b>	<b>B 2032</b>
<b>Nuclear</b>	20.3	0	0	0	0
<b>Lignite</b>	20.2	21.2	18.5	18.5	13.8
<b>Hard coal</b>	25.0	30.6	25.1	25.1	21.2
<b>Natural gas</b>	24.0	25.1	31.3	31.3	40.1
<b>Oil</b>	3.0	2.9	2.9	2.9	0.5
<b>Other</b>	3.0	2.3	2.3	2.3	2.7
<b>Pumped hydro</b>	6.3	6.3	6.3	6.3	6.3
<b>Total conventional</b>	<b>101.8</b>	<b>88.4</b>	<b>86.4</b>	<b>86.4</b>	<b>84.6</b>
<b>Hydro (run-of-the-river)</b>	4.4	4.5	4.7	4.3	4.9
<b>Wind onshore</b>	27.1	43.9	47.5	70.7	64.5
<b>Wind offshore</b>	0.1	9.7	13.0	16.7	28.0
<b>PV</b>	18.0	48.0	54.0	48.6	65.0
<b>Bio and other</b>	6.7	9.5	10.6	8.7	12.3
<b>Total renewable</b>	<b>56.3</b>	<b>115.6</b>	<b>129.8</b>	<b>149.0</b>	<b>174.7</b>
<b>Total</b>	<b>158.1</b>	<b>204.0</b>	<b>216.2</b>	<b>235.4</b>	<b>259.3</b>

NEP (2012) includes pumped hydro storage capacities of 6.3 GW in 2010, and 9.0 GW in all other years. In the model analysis, we assume  $\overline{storin}_{PHS} = \overline{storout}_{PHS} = 6.3$  GW for all years as shown in Table 1, as storage capacity investments are modeled endogenously. We assume an initial energy storage capacity of pumped hydro of 44 GWh, and average roundtrip efficiency of existing pumped hydro storage plants of 75%. We further assume an average availability of 90% for conventional generators, biomass and storage.

<sup>14</sup> Natural gas comprises open cycle gas turbines, steam turbines, and combined cycle.

Must-run requirements of thermal generators are assumed to take on values of 0 GW, 10 GW or 20 GW. These aggregated must-run levels reflect a combination of economic, technical, system-related and institutional factors.<sup>15</sup> It is reasonable to assume that all of these factors may change in the future, for example because of improved power plant flexibility, more flexible operation modes of combined heat and power generation, and the provision of ancillary services by renewable generators and/or the demand side.

Table 2 lists fuel prices and variable costs of conventional electricity generation for the NEP scenarios. Variable costs are calculated using own assumptions on average plant efficiencies and CO<sub>2</sub> prices of 20 €/t in 2022 and 30 €/t in 2032. Renewable generation is assumed to be free of variable cost.<sup>16</sup>

**Table 2: Assumptions on variable costs of conventional plants for NEP scenarios**

	Fuel prices in Euro/MWh <sub>thermal</sub>		Variable cost in Euro/MWh <sub>electric</sub>	
	2022	2032	2022	2032
<b>Lignite</b>	2	2	20	26
<b>Hard coal</b>	12	13	44	47
<b>Natural gas</b>	25	25	68	72
<b>Oil</b>	53	62	166	202
<b>Other</b>	7	7	33	37

Regarding hourly feed-in of onshore wind, offshore wind and PV, we use all data provided by German TSOs up to the year 2012. Onshore wind data is available since 2006; the offshore wind time series starts in 2010.<sup>17</sup> PV data is available only since 2011. We calculate hourly availability factors for all

<sup>15</sup> These include minimum load restrictions for single blocks, start-up costs which give power plant operators an incentive not to shut down plants for short periods of time, and heat-related restrictions of combined heat and power generation (compare Schröder et al. 2013). In addition, the provision of spinning reserves and other ancillary services currently causes thermal must-run, which is also related to institutional arrangements such as weekly tendering schedules for primary and secondary control reserves in Germany.

<sup>16</sup> This is also true for biomass, although biomass generation usually incurs positive fuel costs. This assumption, however, is not critical in the context of this analysis.

<sup>17</sup> Offshore wind capacity in Germany was small by the end of 2012. Available data between 2010 and 2012 reflects power generation from two offshore parks in the North Sea, alpha ventus and Bard Offshore I. alpha ventus became fully operational in spring 2010, whereas the other offshore park has been gradually connected

renewable technologies by relating the actual hourly feed-in to the installed capacity of the respective year. To do so, we use official end-of-year installation data and assume linear capacity increase throughout the year. Figure 2 shows sorted availability factors of all yearly time series of onshore wind, offshore wind, and PV in a sorted order, as well as the mean values.

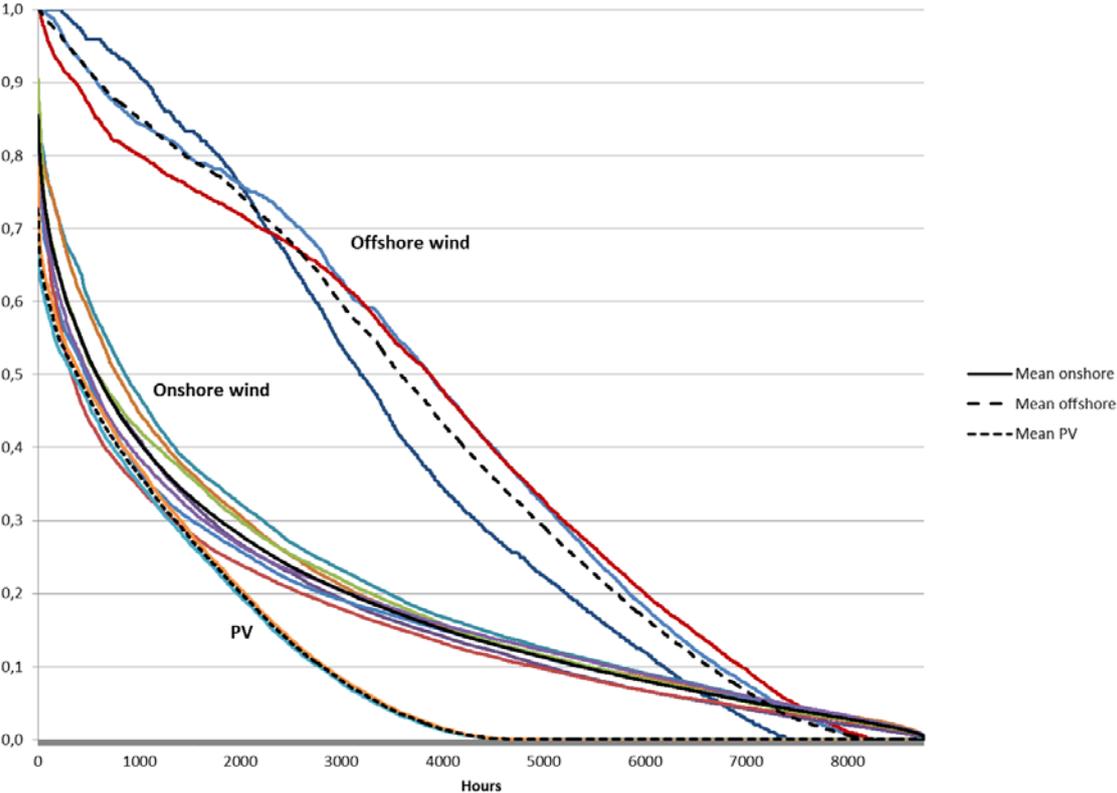


Figure 2: Historic availability factors for wind power and PV

In order to derive hourly renewable generation, we multiply hourly availability factors with the generation capacities of the respective scenario. Average hourly utilization factors of onshore wind vary between 0.16 in 2010 and 0.21 in 2007. Offshore wind achieves much higher full-load hours. The average hourly utilization factor is between 0.39 in 2010 and 0.43 in both 2011 and 2012, although data is not as representative as in the case of onshore wind. PV is characterized by a much steeper

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to the grid since late 2010. The data thus represents very specific feed-in situations of two distinctive wind farms.

load-duration curve with average utilization factors between 0.10 in 2011 and 0.11 in 2012 as power generation is restricted to daytime hours.

Hydro power is assumed to generate at a constant level throughout the year, based on extrapolations of overall generation in 2010. Generation from biomass is assumed to either be perfectly inflexible, i.e., generating at a constant level during all hours of the year, or flexible within the constraints (4) and (5). We thus capture two extreme assumptions on future biomass flexibility. In both cases, overall yearly power generation from biomass is equal. Renewable curtailment is assumed to be either free, or restricted to 1%, 0.1% or 0% of the maximum yearly generation of wind onshore, wind offshore, PV and hydro.

As for load, we draw on hourly values provided by ENTSO-E (2013a) for 2010. For statistical reasons, these do not cover total net power consumption. We thus scale the hourly profile linearly such that it fits official government data on net power consumption. We apply the methodology described in NEP (2012), according to which non-observed consumption has the same profile as observed consumption. Adding 5% network losses on top of net power consumption results in an annual power demand of 562 TWh. Network losses, which are also assumed to have the same profile as observed load, are included because these represent real power consumption which has to be provided by generators.<sup>18</sup> Load is generally assumed not to change in the NEP scenarios compared to 2010. However, we include sensitivity runs in which load decreases by 10% or 20% in all hours, which is in the range of the German government's goals (BMW and BMU, 2010).

There are three stylized types of possible new storage investments: lithium-ion batteries (hourly storage), new pumped hydro (daily storage), and power-to-gas<sup>19</sup> (seasonal storage). These

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<sup>18</sup> As a consequence of including network losses, we derive a peak load value of 92 GW in 2010. This value is in line with the methodology described by German TSOs in NEP (2012), but higher than in many other analyses that neglect network losses. Interestingly, a study of generation adequacy in Germany, which has also been drafted by the TSOs, neglects network losses and thus contradicts the NEP reasoning (50Hertz et al. 2012). Our sensitivity analyses with decreasing load indicate in which direction results change if network losses are neglected.

<sup>19</sup> More precisely: power-to-gas-to-power, indicating that hydrogen is converted to electricity again.

technologies vary with respect to energy/power ratios, roundtrip efficiency and investment costs (Table 3). Specific investments are annualized, drawing on specific economic lifetimes and an 8% interest rate. Parameters are derived from Fuchs et al. (2012) and VGB (2012a) and represent averages for the period 2012-2030. We use the same parameters in all scenarios, as assumptions on future parameter changes are highly speculative and complicate interpretation.

**Table 3: Assumptions on storage technologies**

	<b>Energy/Power ratio</b> ( $e_{ratio_{stor}}$ )	<b>Roundtrip efficiency</b> ( $\eta_{stor}$ )	<b>Specific investment</b> in €/kW	<b>Economic lifetime in years</b>	<b>Annualized investment in €/kW</b> ( $ic_{stor}$ )
Hourly storage ("Li-ion battery")	2	0.89	665	15	78
Daily storage ("Pumped hydro")	8	0.79	850	30	76
Seasonal storage ("Power-to-gas-to-power")	500	0.35	1500	20	153

The parameters represent average values for the period 2012-2030.

Sources: Fuchs et al. (2012), VGB (2012a), own assumptions

Summing up, we vary the following input parameters in the model application, resulting in 12,096 distinctive NEP runs:

- Generation capacities according to NEP scenarios (A 2022, B 2022, C 2022, B 2032);
- Yearly profiles of wind power and PV (7 for onshore wind, 3 for offshore wind, 2 for PV);<sup>20</sup>
- Load (100%, 90%, 80%);
- Must-run requirements of thermal generators (0, 10, 20 GW);
- Biomass flexibility (flexible or constant generation);
- Allowed renewable curtailment (no restriction, 1%, 0.1%, or 0% of yearly generation from non-dispatchable renewables)

<sup>20</sup> We permute all yearly time series of onshore wind, offshore wind and PV, assuming that there is no correlation between the yearly feed-in patterns of these three technologies.

## 2.4 A long-term outlook for 2050

Complementary to the NEP scenarios, we present an outlook for 2050, leaning on scenario '2011 A' of a quasi-governmental long-term study (DLR et al. 2012).<sup>21</sup> This scenario assumes a renewable share of 86% in final power consumption by 2050. Conventional generation capacity is largely substituted by renewables (Table 4). Lignite is phased out completely, whereas some hard coal capacity remains. Gas-fired plants make up the major part of remaining thermal capacity.<sup>22</sup> Due to strongly increasing fuel and CO<sub>2</sub> prices, generation costs are assumed to be 136 €/MWh for hard coal and 131 €/MWh for natural gas. As in the NEP scenarios, we assume existing pumped hydro storage to be constant at 2010 levels since additional storage capacities are modeled endogenously.

Installed capacities of hydro power, wind onshore, wind offshore, PV and biomass are comparable to the scenario B 2032. In addition, there are 3 GW of geothermal power and 10.5 GW of renewable power imported from other countries. We model biomass, geothermal power and imports in an aggregated way, assuming that these three technologies are either fully flexible or fully inflexible. In the first case, restrictions (4) and (5) apply for this aggregate, with  $\overline{yearlybio}$  consisting of 59 TWh for biomass, 19 TWh for geothermal and 61 TWh for imports, respectively. In the latter, constant average hourly feed-in is assumed. Generation of wind and PV is calculated as described above.

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<sup>21</sup> The scenario was designed for and published by the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety. An English summary has been published as Pregger et al. (2013).

<sup>22</sup> In the 2050 scenario, hard coal includes other solid fuels. Gas plants are fueled not only with natural gas, but also with renewable hydrogen to some extent.

Table 4: Generation capacities in the 2050 scenario in GW (Leit 2011 A of DLR et al. 2012)

	<b>2050</b>
<b>Hard coal</b>	4.6
<b>Natural gas</b>	33.5
<b>Pumped hydro</b>	6.3
<b>Total conventional</b>	<b>44.4</b>
<b>Hydro (run-of-the-river)</b>	5.2
<b>Wind onshore</b>	50.8
<b>Wind offshore</b>	32.0
<b>PV</b>	67.2
<b>Bio</b>	10.4
<b>Geothermal</b>	3.0
<b>Renewable imports</b>	10.5
<b>Total renewable</b>	<b>179.1</b>
<b>Total</b>	<b>223.5</b>

Power demand is much lower in the 2050 scenario compared to the 2022 and 2032 scenarios, as DLR et al. (2012) assume large energy efficiency improvements. Overall power consumption in 2050 is 413 TWh, a decrease of 27% compared to the NEP scenarios. Peak load accordingly decreases to 67 GW. All other parameters are equal to the NEP scenarios.

We again carry out sensitivity analyses, using all available yearly profiles of wind and PV generation (7 onshore, 3 offshore, 2 PV), 3 distinctive must-run requirements (0, 10, 20 GW), 2 assumptions on biomass flexibility, and 4 levels of allowed renewable curtailment (no restriction, 1%, 0.1%, 0% of yearly generation). In contrast to the NEP scenarios, we abstract from simulating the effects of decreasing load, as overall demand is already very low, and further reductions appear not to be meaningful. Accordingly, we carry out 1,008 simulations for the 2050 scenario.

## 3 Results

### 3.1 Residual load in NEP scenarios

Due to the limited correlation of fluctuating wind and solar generation with hourly demand, increasing capacities of these technologies do not result in a linear decrease of residual load. The largest effect can be found on the right-hand side of the residual load curve (Figure 3).<sup>23</sup> The

<sup>23</sup> The figure shows mean values for all combinations of yearly availability factors for wind onshore, wind offshore and PV. Note that the different lines do not represent the same order of single hours.

decrease becomes stronger with more renewables, and is largest for scenario B 2032. In contrast, peak residual load hardly changes compared to 2010 levels. In other words, fluctuating renewables substitute a large amount of fossil fuels, but hardly decrease the capacity requirements of the system. Figure 3 also shows the effect of different flexibility assumptions on residual load. Compared to a perfectly flexible system with no must-run requirement and flexible generation from biomass, a system-wide thermal must-run requirement of 20 GW combined with inflexible biomass generation substantially decreases residual load. Under inflexibility assumptions, residual load would be negative during 40% of all hours of the year in scenario B 2032. This compares to 5% of all hours under the assumption of flexible generators. In addition, the absolute value of the negative (surplus) peak is larger than the positive residual load peak. With improving energy efficiency, residual load decreases further. We also find considerable variation in negative peak values, depending on the combination of wind and PV years. In B 2032, the negative peak varies up to 20 GW. The choice of historic feed-in patterns accordingly has a strong effect on projected extreme values of residual load.

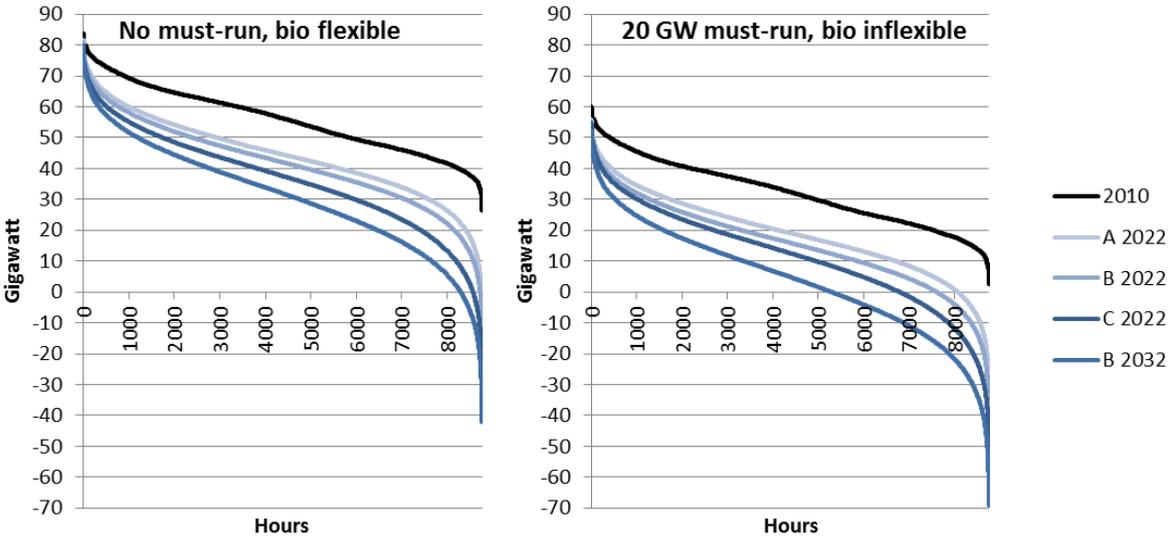


Figure 3: Residual load in NEP scenarios (reference load, means)

Figure 4 shows positive and negative hourly residual load gradients in a sorted order. The largest positive residual load change between two subsequent hours in 2010 was +11.4 GW, and the

smallest negative value was -7.2 GW. With increasing capacities of fluctuating renewables, these values become much more extreme: in scenario B 2032, the largest hourly increase of residual load is +21.9 GW, whereas the largest decrease is -26.5 GW.<sup>24</sup> This corresponds to 24% of the system’s peak load, or 29% respectively. Average positive and negative gradients also increase. Accordingly, dispatchable power plants, storage, and the demand side have to become more flexible to allow for such large hourly gradients.

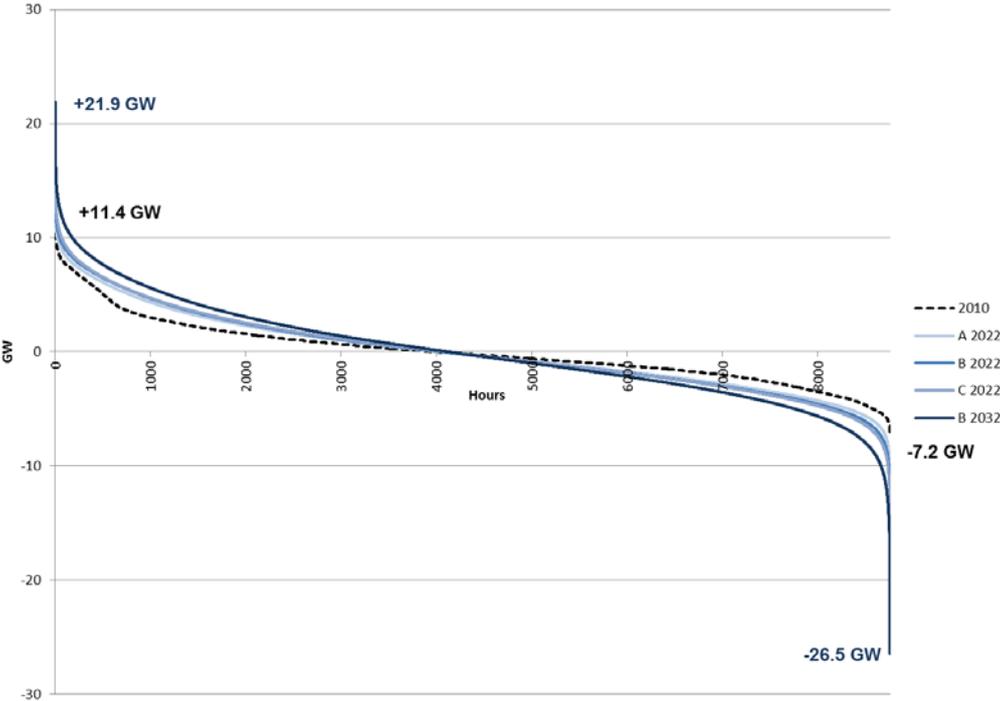


Figure 4: Hourly residual load gradients (means)

### 3.2 Renewable surplus generation in NEP scenarios

We now focus on events of renewable surplus generation, i.e., on the negative part of the residual load curve. Figure 5 shows load-duration curves of surpluses for all NEP cases under the assumption of reference load, no must-run requirements, and flexible bio generation. Curves for the largest and smallest surpluses are provided, depending on wind and PV years used, as well as means for all simulations. In general, the curves have a very steep shape. Whereas surplus peaks are high, overall

<sup>24</sup> BET (2013) calculate comparable numbers for 2030, but slightly underestimate the negative extreme value.

surpluses are relatively low. In B 2022, there are on average 43 surplus hours;<sup>25</sup> this number grows to 471 in B 2032. Any measure specifically designed for taking up peak renewable surpluses would thus achieve only a small number of full-load hours over the whole year. The growth of the surplus between B 2022 and C 2022 is explained by increasing onshore wind capacity. The further increase between C 2022 and B 2032 is caused by additional PV and offshore wind on top of high onshore wind capacities. Using different wind and PV years has only a moderate effect on peak surplus generation, but a large effect on overall surplus energy. In B 2032, overall surplus varies between 2.5 and 7.5 TWh, depending on the data used. This corresponds to around 0.4% or 1.3% of yearly load, respectively. If generation from biomass is assumed to be inflexible, while still assuming no thermal must-run, surpluses roughly double in all cases, but the shapes of the curves hardly change.

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<sup>25</sup> These findings are generally in line with EWI (2013) and VDE (2012a), although the methodology slightly differs. Agora (2012) determine a somewhat higher number of 200 surplus hours because only one specific wind year is used (2011), network losses seem to be neglected, and biomass is assumed to be largely inflexible.

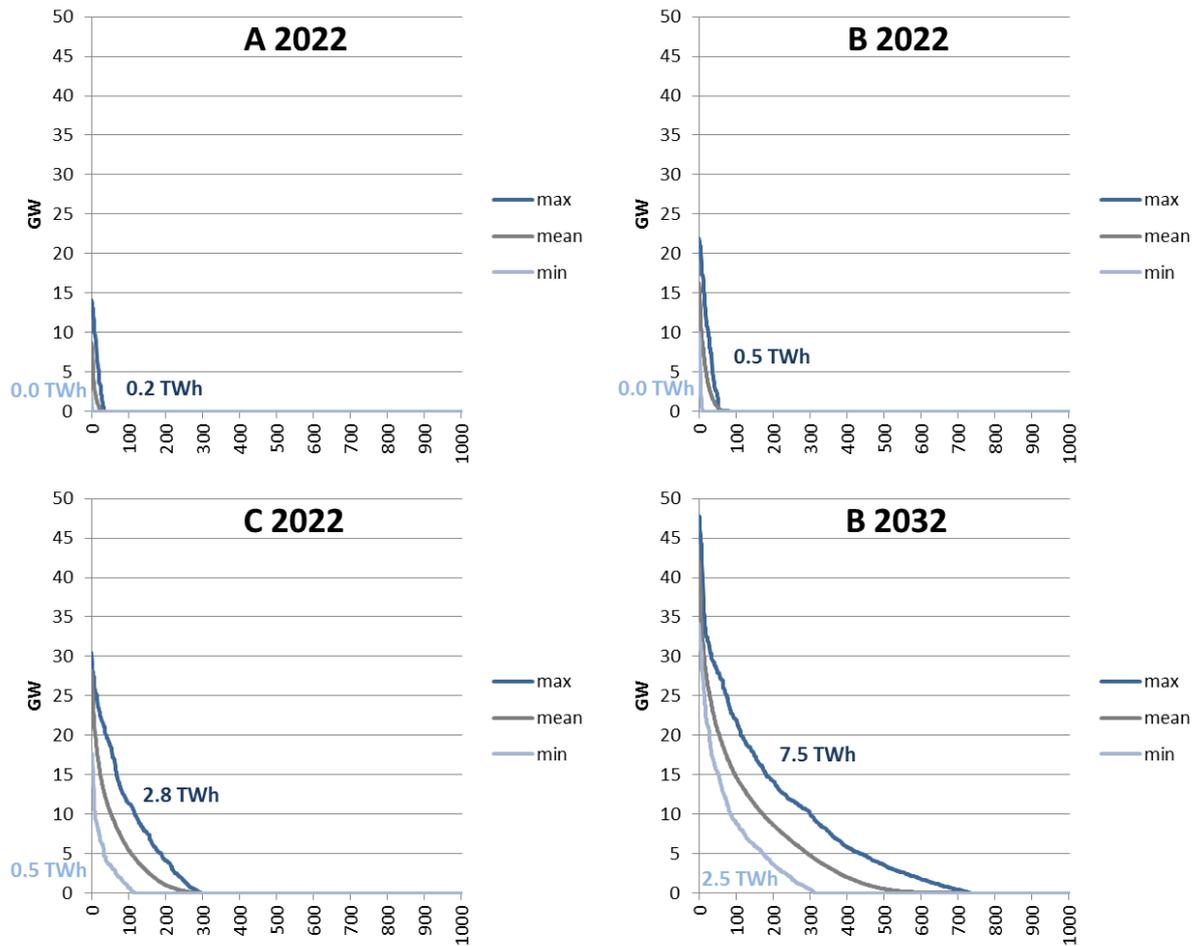


Figure 5: Load-duration curves of surplus generation (reference load, no must-run, bio flexible)

Overall surplus energy substantially increases with growing must-run requirements and decreasing load, as shown exemplarily for B 2032 in Figure 6. 10 GW of must-run increase the yearly surplus from 4.5 to 12.1 TWh, corresponding to around 2% of yearly demand; a must-run requirement of 20 GW further increases surplus energy to 28.6 TWh (5%). Decreasing load to 90% or 80% of baseline levels has a similar, but somewhat smaller effect, as 10% of load correspond to a peak load decrease of around 9 GW and an off-peak decrease of only around 4 GW. Combining must-run requirements of 20 GW with a load of 80% results—*ceteris paribus*—in very large yearly surplus generation of 69.5 TWh, corresponding to around 12% of yearly demand. Accordingly, removing the thermal must-run is crucial for avoiding large surpluses. This is particular true if the government’s targets on improving energy efficiency are realized.

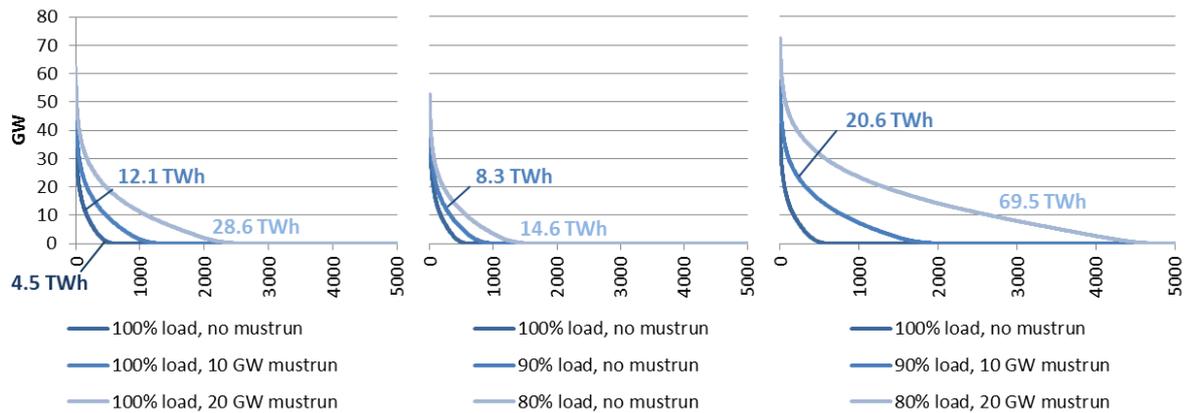
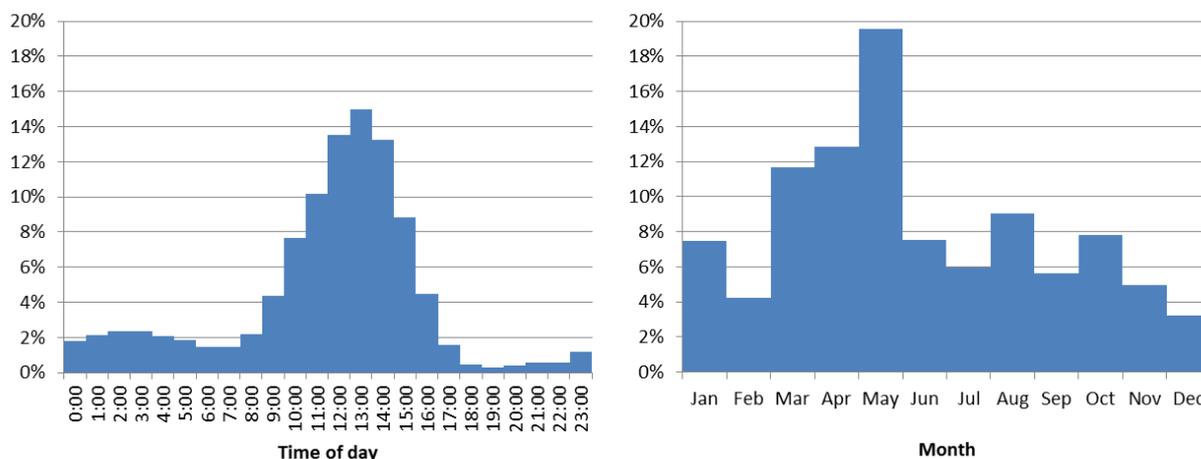


Figure 6: Surplus for varying assumptions on load and must-run (B 2032, means, bio flexible)

Figure 7 shows both the time of day distribution and the monthly distribution of surpluses (hourly percentages of total surpluses). Exemplarily, case B 2032 is depicted under the assumption of no thermal must-run requirement and flexible biomass generation. The largest part of excess generation occurs around noon due to PV feed-in.<sup>26</sup> The time of day distribution of surpluses becomes smoother in an inflexible system with a must-run of 20 GW and inflexible biomass. Under such assumptions, not only overall surpluses increase considerably, but also the relative importance of wind-related off-peak surpluses. As for the monthly distribution of surpluses, we find a peak in the month of May in all NEP scenarios.<sup>27</sup> Under the assumption of high thermal must-run and inflexible biomass, which goes along with much-increased surpluses, the monthly distribution gets smoother.

<sup>26</sup> The concentration around noon is even stronger in the scenarios A 2022 and B 2022 due to higher PV shares in these scenarios. Due to daylight saving time, hours are slightly distorted over the course of the year. Correcting for this effect, a part of the surpluses shown in the figure should move one hour to the left. The peak would accordingly be found in the hour between 12:00 and 13:00 in most cases.

<sup>27</sup> In scenarios with higher relative shares of PV (A 2022 and B 2022), the concentration on May is even stronger. In both 2011 and 2012, German PV generation was highest in the months of May.



**Figure 7: Time of day distribution and monthly distribution of surpluses (B 2032, reference load, no must-run, bio flexible, means)**

Figure 8 shows the distribution of connected surplus energies as defined in section 2 for scenario B 2032 (means for all wind and PV years). The distribution is massively skewed to the right. Under the assumption of a flexible system, the majority of connected surpluses are in the range of existing German pumped hydro storage capacity (around 40 GWh). Nonetheless, connected surplus events with cumulative energies of more than 40 GWh constitute the majority of total surplus energy. On average, the energy of the largest connected surplus in B 2032 is 544 GWh, corresponding to 0.1% of yearly demand; for one specific combination of wind and PV years we even find a maximum connected surplus of 1020 GWh (0.2%). Accordingly, the choice of historic wind and PV data has a large effect on the extreme values of connected surpluses. In an inflexible system with 20 GW must-run and inflexible biomass, connected surplus energy massively increases, and the distribution is even more skewed to the right. Under these assumptions, surpluses could hardly be accommodated by existing pumped hydro capacities, as nearly 99% of yearly surplus energy is made up of connected surpluses larger than 40 GWh. The largest mean connected surplus in B 2032 is larger than 6 TWh (1.1% of yearly demand), the largest single value for a specific combination of wind and PV years is nearly 11 TWh (1.9%). Any measure that is to absorb such surplus energies is thus required to have a very large capacity.

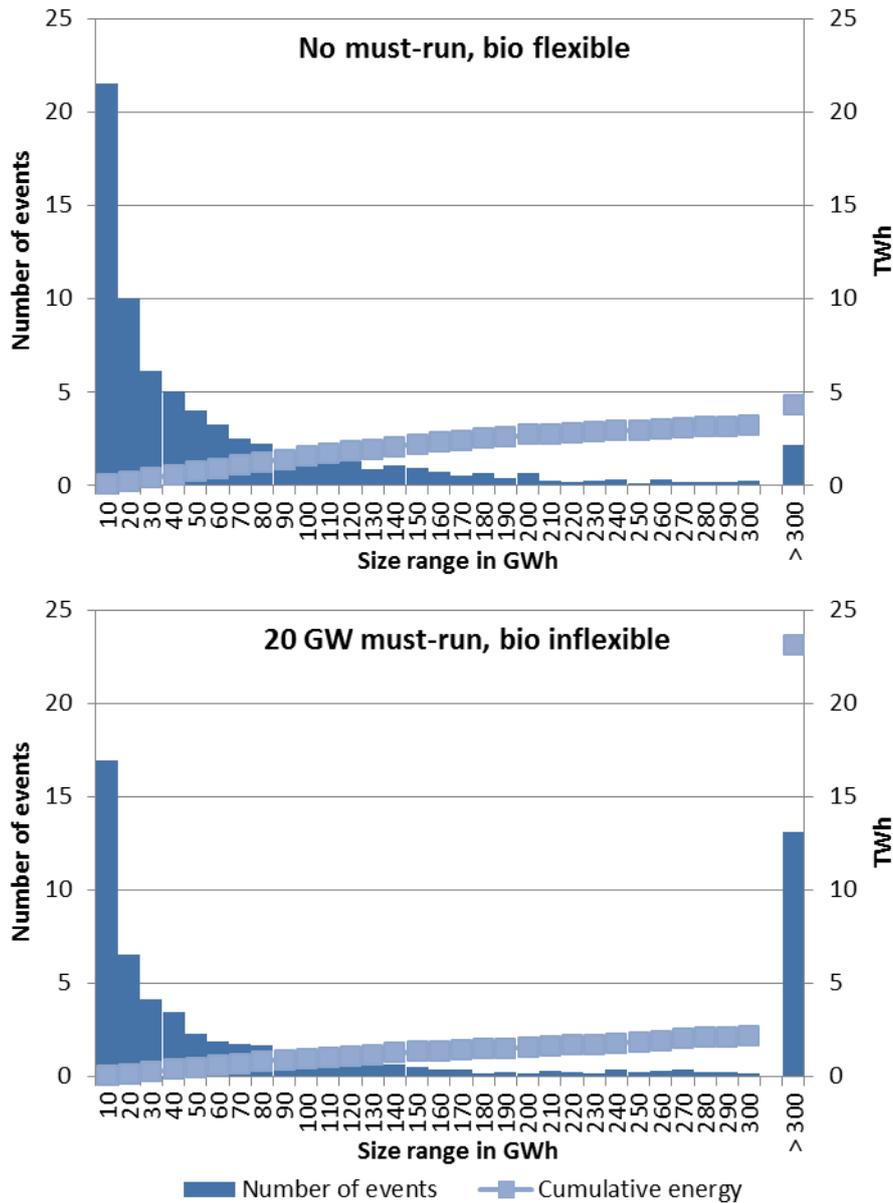


Figure 8: Frequency distribution of connected surplus energy (B 2032, reference load, means)

### 3.3 Storage requirements in NEP scenarios

In the following, we show how much storage would be required for taking up the renewable surpluses discussed above, drawing on the optimization model described in section 2. Figure 9 shows optimal storage investments for all NEP scenarios, allowing for different levels of curtailment.<sup>28</sup> We first look at the case of a flexible system. No additional storage is needed in any NEP scenario if

<sup>28</sup> As noted above, optimality only refers to the arbitrage value of storage and its potential for taking up renewable surplus generation in a system with exogenous generation capacities; additional system benefits related to the provision of firm capacity and/or ancillary services are not considered.

curtailment is not restricted.<sup>29</sup> Accordingly, integrating surplus energy (on average, between 0.1 TWh in A 2022 and 4.5 TWh in B 2032) by means of storage would be more expensive than generating an according amount of power in thermal plants.<sup>30</sup> We find a similar result if renewable curtailment is restricted to 1% of the yearly feed-in of wind onshore, wind offshore, PV and hydro power. Under these assumptions, there is only minor investment in B 2032 into daily storage of less than 1 GW. Allowing a small fraction of curtailment thus renders obsolete virtually all storage investments. If curtailment is further restricted, storage requirements, however, strongly increase. If only 0.1% of the yearly feed-in of non-dispatchable renewables may be curtailed, mean storage investments increase to more than 9 GW in C 2022 and nearly 22 GW in B 2032. If no curtailment is allowed, storage requirements increase to 4, 12, 26 and 41 GW in the four NEP scenarios. This is because all surplus peaks have to be integrated, even very high and rare ones. Virtually all of these storage capacities are daily storage. The higher roundtrip efficiency of hourly storage cannot compensate its disadvantage in terms of specific costs and energy storage capacity compared to daily storage.<sup>31</sup> Likewise, seasonal storage is hardly required in a flexible system, as connected surpluses are relatively small.

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<sup>29</sup> VDE (2012a) also find that hardly any storage is required in a scenario with a renewable share of 40%.

<sup>30</sup> Relating annualized storage investments to the amount of avoided curtailment results in specific costs of full surplus integration in the range of several thousand Euros in C 2022 and B 2032, assuming a flexible system. This is because substantial amounts of storage are required, but these are rarely used for renewable integration, as surpluses are very small. Assuming an inflexible system, not only storage requirements increase, but also storage utilization because of more frequent surplus generation. Accordingly, the specific costs of fully avoiding curtailment are lower, but still in the range of several hundred Euros, way above the costs of generating power with conventional plants.

<sup>31</sup> Hourly storage technologies such as batteries or kinetic storage systems have specific advantages in short-term applications which are not considered in this analysis. For example, Li-ion batteries are well suited for providing primary frequency control.

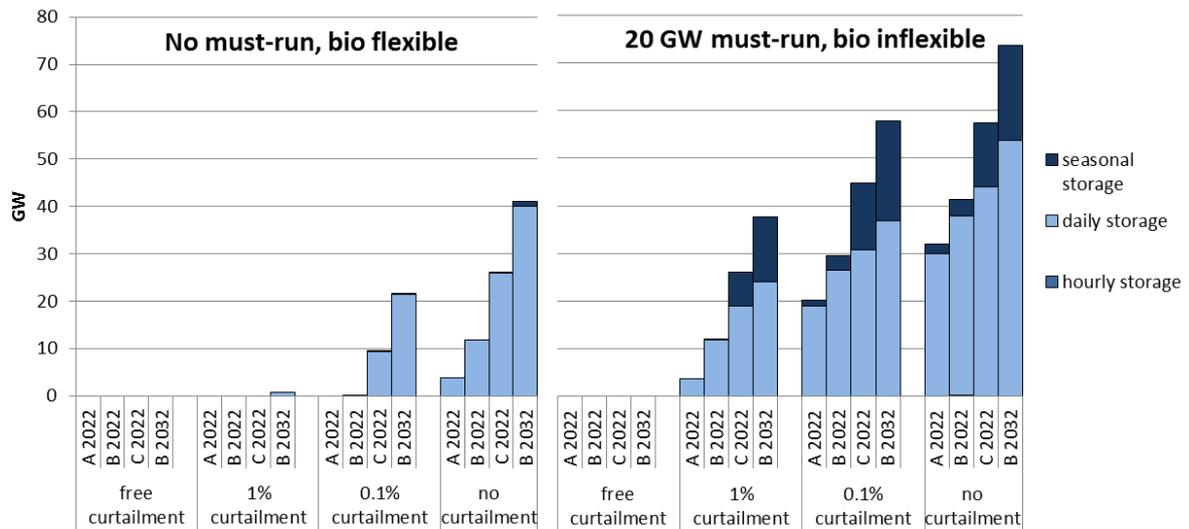


Figure 9: Storage investment (reference load, means)

The right-hand side of Figure 9 shows storage investments in an inflexible system with a 20 GW must-run requirement and inflexible generation from biomass. Again, no storage is built in case of unrestricted curtailment. For all other cases of restricted curtailment, however, storage requirements are much larger compared to a flexible system because of larger surpluses. If curtailment is restricted to 1% of the yearly feed-in of non-dispatchable renewables, average storage investments are around 4 GW in A 2022 and 38 GW in B 2032. If no curtailment is allowed, these values increase to 32 GW in A 2022 and 74 GW in B 2032. The latter corresponds to 80% of the system's peak demand. A substantial amount of seasonal storage is required in addition to daily storage in the cases with large renewable capacities. For example, 20 GW of seasonal storage is built in B 2032 on top of 54 GW of daily storage in the case with no curtailment. These investments into the more expensive seasonal storage technology are explained by the fact that surpluses are not only more frequent, but also larger in size compared to the flexible system. Thus, a full integration of surpluses—which are still relatively small compared to yearly load—requires very large capacities both

in terms of storage power and energy. Storage investments increase under the assumption of decreasing load, corresponding to increasing surpluses.<sup>32</sup>

We have shown that additional storage is not required in any NEP scenario if curtailment is not restricted. Curtailment, however, decreases the amount of renewable energy used in the power sector. Figure 10 shows how forced surplus integration by means of storage increases the share of renewables in overall power consumption. Assuming a flexible system, renewable shares range between 37% in scenario A 2022 and 58% in B 2032 in case of free curtailment. Storage-related increases in these shares are well below 1 percentage point in all NEP scenarios, as overall surplus generation is low. In contrast, the impact of storage on RES shares is much larger in an inflexible system, as surpluses are higher. This is particularly true for scenarios C 2022 and B 2032. Assuming 20 GW must-run and inflexible biomass, renewable shares in case of free curtailment are around 45% and 52% in C 2022 and B 2032. Full surplus integration by storage substantially increases these shares by 3 or 7 percentage points, respectively. Accordingly, renewable shares increase to 48% in C 2022 and 59% in B 2032. In general, the RES targets of the German government are exceeded in all NEP scenarios, even under the assumption of free curtailment.<sup>33</sup>

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<sup>32</sup> Storage requirements vary for different combinations of wind and PV years because of the underlying variations of surpluses discussed above. The lower extreme value is generally much closer to the mean than the upper extreme value, reflecting the fact that extremely large surpluses only occur for very few combinations of wind and PV years.

<sup>33</sup> The only exception is A 2022, in which the (linearly interpolated) target of 38% is narrowly missed. This finding is in line with the findings of a meta-analysis carried out by Dena (2013), which concludes that power storage is of relatively minor importance for achieving renewable and emission targets in Germany.

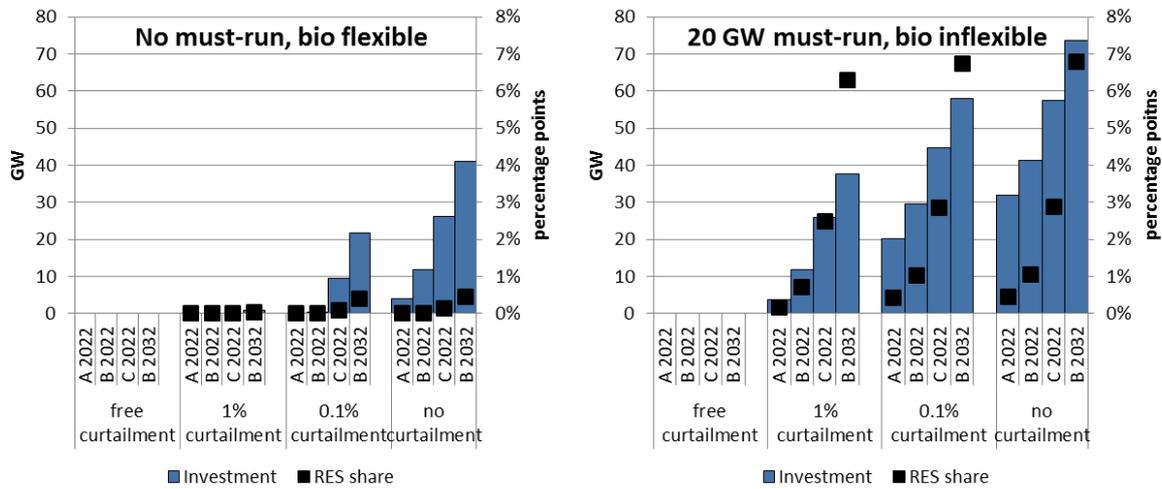


Figure 10: Storage-related increase of RES share in electricity consumption (reference load, means)

### 3.4 Selected results for the 2050 scenario

Complementary to the NEP simulations, we present selected results for a long-term outlook to 2050. Assuming a flexible system, Figure 11 shows load-duration curves of surplus generation for the means of all combinations of wind and PV years as well as for the largest and smallest yearly surpluses.<sup>34</sup> Surplus generation occurs on average during 1707 hours of the year, or 19% of all hours. Mean overall surplus energy is nonetheless rather small with around 18 TWh, corresponding to around 4% of yearly demand. Peak surplus power also increases only slightly compared to B 2032 and reaches 53 GW on average. Under the assumption of 20 GW must-run and inflexible biomass, surpluses would occur in 8004 hours (91% of all hours). Surplus energy would also increase drastically to 195 TWh (47% of yearly demand) with a peak of 89 GW. Accordingly, assumptions of high thermal must-run requirements and inflexible biomass appear to be inconceivable in a 2050 scenario. We thus assume a perfectly flexible system in the following.

<sup>34</sup> We select the largest and the smallest surplus in terms of overall energy, not regarding peak surplus. The largest surplus power in a single hour is 64 GW in the flexible case and 100 GW in the inflexible case.

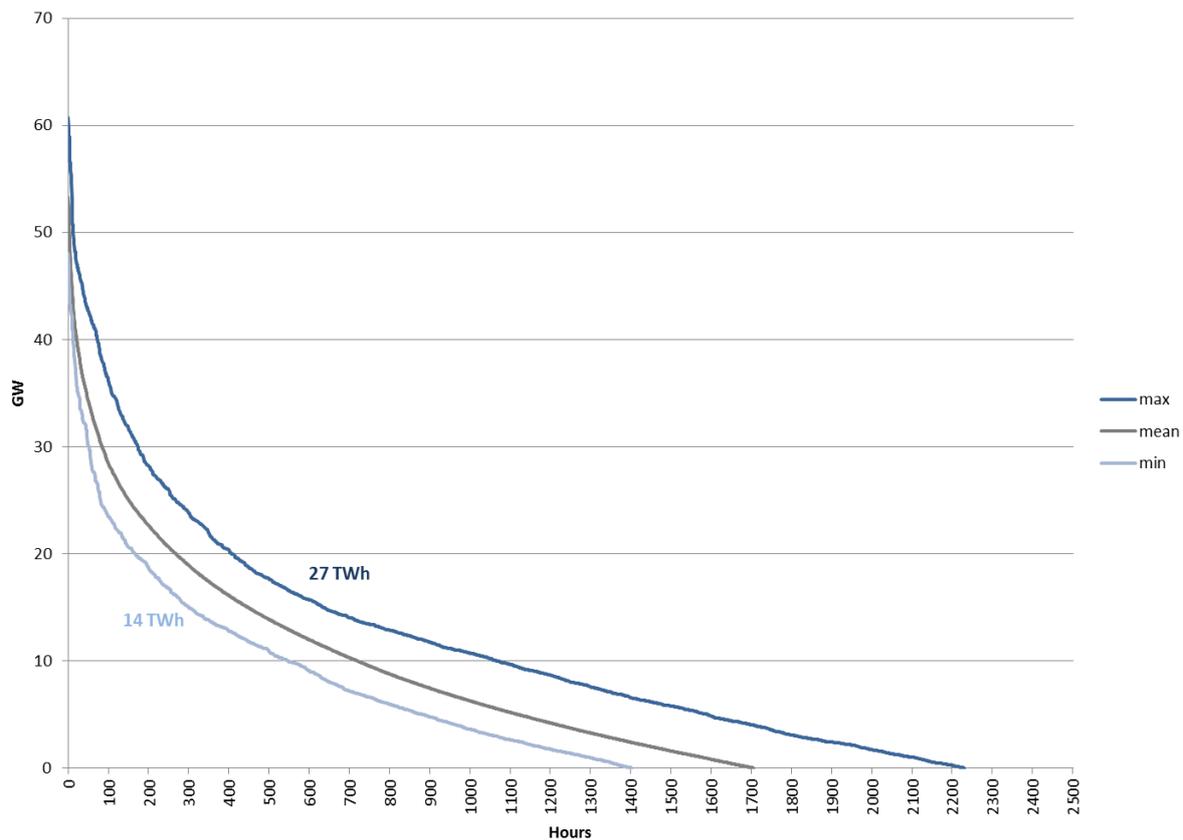


Figure 11: Load-duration curves of surplus generation 2050 (no must-run, bio flexible)

Figure 12 shows storage investments for the 2050 scenario, again for the means of all combinations of wind and PV data and for the two extreme combinations. Mean storage investments increase for all levels of curtailment compared to 2032. What is more, the share of seasonal storage increases because connected surpluses are larger. In a flexible system, around 10 GW of storage are optimal on average even in case of free curtailment.<sup>35</sup> Renewable curtailment accordingly is no longer the least-cost option, and some level of storage investment no longer has to be enforced. The main reason for this finding, aside from increased surpluses, is the much higher cost of fossil generation compared to the NEP scenarios.<sup>36</sup> In addition to around 3 GW of daily storage, nearly 7 GW of seasonal storage are

<sup>35</sup> The figure shows specific costs of avoided curtailment only for the cases in which curtailment is actually restricted. In other words, it shows the specific costs of forced storage investments beyond the level that would be optimal in case of free curtailment.

<sup>36</sup> Additional simulations show that peak load could also be met without additional storage capacities, but at higher costs.

optimal in case of free curtailment.<sup>37</sup> If curtailment is restricted to 1% or 0.1% of the yearly generation of non-dispatchable renewables, average storage requirements increase to 16 GW or 37 GW, respectively. If no curtailment is possible at all, 54 GW of storage are required, of which around 7 GW are seasonal storage. Renewable shares in overall power consumption are hardly affected by forced storage investments compared to the case of unrestricted curtailment. The mean value in the case of free curtailment is 95%; it is increased by a little more than 1 percentage point to nearly 97% in case of full surplus integration.<sup>38</sup>

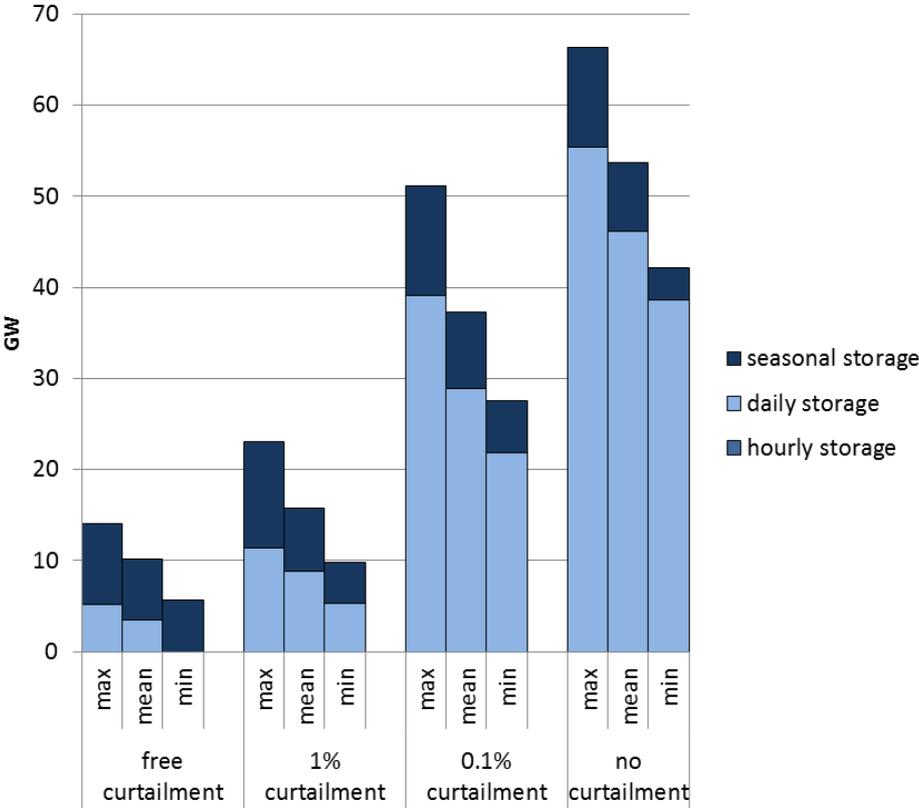


Figure 12: Storage investment 2050 (no must-run, bio flexible)

<sup>37</sup> There is nonetheless curtailment of around 40 GW in the peak surplus hour.

<sup>38</sup> Renewable shares are larger compared to DLR et al. (2012) mainly because of neglected combined heat and power generation in plants fired with hard coal and natural gas.

## 4 Discussion of limitations

The simulations have been carried out under a range of simplified assumptions in order to make room for a large number of sensitivities. In the following, we briefly discuss the effects on simulation outcomes.<sup>39</sup> We start with a discussion of such assumptions that lead to an underestimation of surpluses and/or storage requirements.

First, we neglect local network constraints within Germany by implicitly assuming that transmission networks will be expanded according to NEP (2012). We thus neglect possible local surplus events. In recent years, local curtailment due to network constraints was small, but tended to grow (74 GWh in 2009, 127 GWh in 2010, 421 GWh in 2011 and 385 GWh in 2012, Bundesnetzagentur and Bundeskartellamt 2013). According to EWI (2013), congestion-related renewable curtailment may increase up to 8 TWh by 2022 if networks are not extended as planned. Second, the linear dispatch model neglects flexibility constraints of thermal generators.<sup>40</sup> In particular, we consider start-up and ramping to be both costless and perfectly flexible. More realistic assumptions on power plant flexibility may result in higher surpluses as well as larger storage investments. Third, we do not endogenously determine optimal generation capacities, but draw on exogenous NEP capacities, which are sufficient to satisfy demand in all hours. Accordingly, the potential capacity value of additional storage for supplying peak load is not captured. A similar interpretation is that storage cannot benefit from scarcity prices. Storage's capacity value could in principle be captured in a dynamic modeling framework with endogenous generation capacities. Fourth, we assume that the thermal must-run requirement can be decreased to 10 or even 0 GW without specifying, for example, how ancillary services are to be provided. Although the optimal provision of ancillary services in power systems with high shares of fluctuating renewables remains a question for further research, it appears reasonable to assume that power storage facilities could provide at least a share

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<sup>39</sup> In addition to the factors discussed below, the permutation of different yearly availability factors of onshore wind, offshore wind and PV may result in exaggerated extreme values of surplus power, connected surpluses and storage requirements. The effect on mean values, however, is unclear.

<sup>40</sup> To a certain degree, flexibility restrictions are approximated by the system-wide must-run constraint, as explained in section 3.1.

of these services while still taking up renewable surplus generation. This contributes to a possible underestimation of optimal storage investments in our model. Finally, we do not consider any costs of curtailment related to the institutional framework, for example financial compensation of renewable generators. Including such costs should tend to decrease curtailment and increase optimal storage investments. Currently, renewable generators in Germany are compensated in case of curtailment; however, the future development of the institutional framework is uncertain.

Other simplified assumptions have an opposite effect, i.e., lead to an over-estimation of surpluses and/or storage investments. For example, the linear scaling of historic feed-in patterns of fluctuating renewables neglects adjustments in generator design or site choices, which are expected to align feed-in patterns somewhat better with power demand. Examples are improved orientation of solar PV panels in east-western direction or changed generator design of wind turbines which results in relatively lower peak generation, but higher full-load hours. Such improvements, which may be triggered by future market integration of RES, should tend to decrease renewable surplus generation. Next, including network fees for storage facilities would reduce storage investments. Currently, existing storage facilities in Germany have to pay network fees for power drawn from the grid. A major over-estimation of storage requirements originates from the fact that we neglect other flexibility options, in particular demand-side management, future electric vehicle fleets, the use of electricity in the heat sector (power-to-heat), and the possibility of exchanging power with neighboring countries. In the medium to long run, all of these options are capable of taking up a sizeable share of temporary surpluses and thus reduce power storage requirements. Of these, power-to-heat appears to be particularly promising, as investment costs of electric heating elements are low (VDE 2012a). Moreover, surpluses can be exported to other countries on a large scale. According to ENTSO-E (2013b), the average simultaneous net transfer export capacity (NTC) from Germany to the Netherlands, France and Switzerland is around 8.5 GW (2010 data). In addition, there are interconnections with other neighboring countries. Even if the capacity that can actually be utilized in any given hour may be smaller than this NTC value, there is large room for exports.

Furthermore, cross-border capacities will increase in the context of European power market integration.

Considering opposite effects of different simplifications on results, we infer that both surpluses and storage requirements determined in this paper should not be systematically skewed in one direction.

## **5 Conclusions and policy implications**

We have analyzed the effects of future renewable expansion in Germany on residual load and renewable surplus generation for policy-relevant scenarios which cover the years 2022, 2032 and 2050. Moreover, we have determined how much storage would be required for taking up renewable surpluses for varying levels of accepted curtailment. In doing so, we made extensive use of historic renewable feed-in data and carried out numerous sensitivity analyses, particularly regarding must-run requirements and the flexibility of biomass generators.

We find that the expansion of fluctuating renewables only has a small effect on peak residual load, but leads to a strong decrease of the right-hand side of the residual load curve. There are hours with negative residual load in all scenarios analyzed. In a system without thermal must-run and with flexible biomass generation, residual load becomes negative during 5% of all hours of the year in 2032. In a less flexible system with a must-run requirement of 20 GW and inflexible biomass generation, this value increases to 40% of all hours. By 2050, surpluses would occur during 19% of all hours assuming a flexible system, and during 91% of all hours assuming an inflexible system. Accordingly, there is no room for thermal must-run in a scenario with renewable shares above 80%. Maximum and minimum gradients of hourly residual also become much more extreme with increasing amounts of fluctuating renewables. Accordingly, inter-temporal flexibility of the supply side and/or demand side has to increase substantially.

The load-duration curves of renewable surplus generation generally have a very steep shape, with high peaks of surplus power and low full-load hours over the whole year. Overall surplus energy varies substantially depending on the combination of meteorological wind and PV years, and

increases with growing must-run requirements, less flexible biomass generation and decreasing load. On average, most surpluses occur around noon because of the feed-in peak of PV. The monthly distribution of surpluses has a peak around the month of May. Both the time of day distribution and the monthly distribution become smoother with increasing capacities of wind power due to additional surpluses during night-time and winter months. The distribution of connected surpluses is massively skewed to the right. In most scenarios, the energy of connected surplus events is substantially larger than the existing German pumped hydro capacity.

Our analysis of optimal storage investments—which abstracts from additional values of storage related to the provision of firm capacity and ancillary services—shows that no additional storage is required in any NEP scenario if curtailment is not restricted. Restricting curtailment to 1% of the yearly feed-in of non-dispatchable renewables would also render storage investments largely obsolete under the assumption of a flexible system. In contrast, full surplus integration would require additional storage capacities of 4, 12, 26 and 41 GW in the four NEP scenarios, as even very large and rare surplus events would have to be integrated. Storage requirements grow and comprise larger shares of seasonal storage under the assumption of increasing thermal must-run requirements and limited biomass flexibility. In the 2050 scenario, there are around 10 GW of storage investments even in case of free curtailment because of larger surpluses and higher costs of fossil generators. Whereas storage investments are generally larger in 2050 compared to the 2022 and 2032 scenarios, the share of seasonal storage is also higher. The effect of curtailment on the shares of renewable energy in overall power consumption is negligible under the assumption of a flexible system in all scenarios. If a must-run requirement of 20 GW and inflexible biomass are assumed, curtailment has an impact on RES shares in the range of a few percentage points in the NEP scenarios. In general, curtailment does not impede achieving the German government's RES targets in the scenarios analyzed here.

Based on the simulations presented in this paper we draw conclusions that are not only relevant for Germany's '*Energiewende*', but also for other countries shifting towards fluctuating renewables. First, we conclude that renewable surpluses can be minimized by decreasing must-run requirements

of thermal generators and by enabling biomass to generate power in a more demand-oriented way. Thermal must-run, which may be caused by economic or technical factors or related to the provision of ancillary services, can be diminished, for example, by retrofitting existing plants such that lower minimum load levels or faster start-up are enabled. Likewise, combined heat and power generation should become more flexible, for example by coupling such plants with heat storage facilities. Further, must-run can be decreased if ancillary services are provided by renewable generators, storage facilities and/or the demand side. This may require changes in reserve market rules. Generation from biomass could become more flexible by increasing the power rating of these installations, coupled with sufficient biogas storage capacities. In the context of growing shares of fluctuating renewable energy, increasing system flexibility should thus become a priority for policy makers. Different energy storage technologies may contribute to such flexibilization.

In case of very large RES shares, and if the system is already sufficiently flexible, power storage becomes more relevant. We however conclude that full surplus integration by means of power storage will never be optimal even in a perfectly flexible system because of the nature of surpluses shown in this paper. Taking up the highest peaks and the greatest connected energies of renewable surpluses would require very large storage capacities both in terms of power and energy. At the same time, storage facilities of such dimensions would achieve few full-load hours over the whole year.

While we have only considered curtailment and power storage in this analysis, we infer that there is much room for other flexibility options between these two extreme approaches. In particular, surpluses can be exported, i.e., balanced over a larger geographic area. Moreover, there are large low-cost potentials for using renewable power surpluses in the heat sector. Other flexibility options such as demand-side management and grid-connected electric vehicles may also play a role in the medium to long term.

As a guideline for policy makers concerned with excess renewable generation, we suggest (i) avoiding renewable surpluses by making thermal generators more flexible in the first place, (ii) making use of different flexibility options for the remaining surpluses, including but not limited to power storage, and (iii) make use of curtailment to cut the highest peaks of surplus power. Given these multiple options of handling temporary excess generation, we also conclude that concerns about surpluses should not be regarded as an obstacle to further renewable expansion. As for technology policy, we propose focusing on research and development of energy storage technologies instead of demand-pull measures for the time being, as our analysis indicates that substantial deployment of storage is required only in the long run.

Several questions remain for future research, in particular regarding the optimal mix of storage, curtailment and other flexibility options. Examining the interaction of different energy storage technologies with network expansion, thermal plants and power-to-heat appears to be a particularly promising field of research. Moreover, the full system value of storage technologies should be investigated, including their capacity value and the provisions of ancillary surpluses. To do so, sufficiently detailed power sector models are to be applied, which should not only include a realistic representation of the flexibility constraints of thermal power plants, but also restrictions related to the provision of ancillary services.

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## Appendix

Table 5: Sets, indices, parameters and variables

Sets and indices	Description	Units, allowed values or instances
$t \in T$	Time	Hours
$tech \in TECH$	Conventional technologies	Nuclear, lignite, hard coal, natural gas, oil, other
$stor \in STOR$	Storage Technologies	Daily, hourly, seasonal
<b>Parameters</b>		
$allowcurt$	Allowed curtailment factor	Between 0 and 1
$\overline{bio}$	Biomass capacity constraint	MW
$dem_t$	Hourly demand	MWh
$epratio_{stor}$	Energy-to-power ratio	MWh/MW
$\eta_{stor}$	Roundtrip efficiency	Between 0 and 1
$hydro_t$	Hourly generation from	
$ic_{stor}$	Storage investment costs	€/MW
$mustrun$	Aggregated must-run requirement	MW
$pv_t$	Hourly generation from PV	MWh
$\overline{q}_{tech}$	Capacity constraint for conventional generation	MW
$\overline{storin}_{stor}$	Initial storage charging power	MW
$\overline{storlevel}_{stor}$	Initial storage capacity	MWh
$\overline{storout}_{stor}$	Initial storage discharging power	MW
$vc_{tech}$	Variable costs of conventional generation	€/MWh <sub>el</sub>
$vstc_{stor}$	Variable costs of storage	€/MWh <sub>el</sub>
$windoff_t$	Hourly generation wind onshore	MWh
$windon_t$	Hourly generation wind onshore	MWh
$\overline{yearlybio}$	Yearly energy constraint for biomass generation	MWh
<b>Variables</b>		
$bio_t$	Generation from biomass	MWh
$cost$	Total cost	€
$inv_{stor}$	Storage investment	€/MW
$q_{tech,t}$	Hourly generation from conventional plants	MWh
$rencurt_t$	Renewable curtailment	MWh
$storin_{stor,t}$	Storage loading	MWh
$storlevel_{stor,t}$	Storage level	MWh
$storout_{stor,t}$	Storage discharging	MWh