SEA POWER

North Carolina's Offshore and Nearshore Wind Resource Coincidence with Electrical Demand Load

Offshore and nearshore wind resources can provide energy at high-demand peak periods.

Electric utilities in the southeast usually experience high-demand peak electrical demand during the summertime. To supply power at peak demand, utilities may rely on more expensive power plants, like combustion natural gas turbines. However, a natural phenomenon in coastal and offshore areas may help supplant these higher cost peaking power plants. The Sea Breeze Effect occurs when cool ocean air rushes inland where warmer air is rising; this effect is prominent on hot summer afternoons when utility load demands are high.

North Carolina's offshore wind resources would be able to provide high value, and high demand energy when it is needed the most: hot summer afternoons. Based on this research, North Carolina's Sea Breeze Effect is positively correlated with Duke Energy's hourly electrical demand during summertime. Therefore, offshore wind energy resources have good coincidence with electrical demand load.



Findings

North Carolina's offshore and nearshore wind resources are positively correlated with utility demand during the peakdemand energy months of July and August.

As electrical demand increases in the summer afternoons, offshore and nearshore wind resources generally increase.

Offshore and nearshore wind farms may be able to offset more expensive peaking power stations by providing valuable peak power.

Offshore and nearshore wind capacity factors are highest during the winter months of December, January and February.

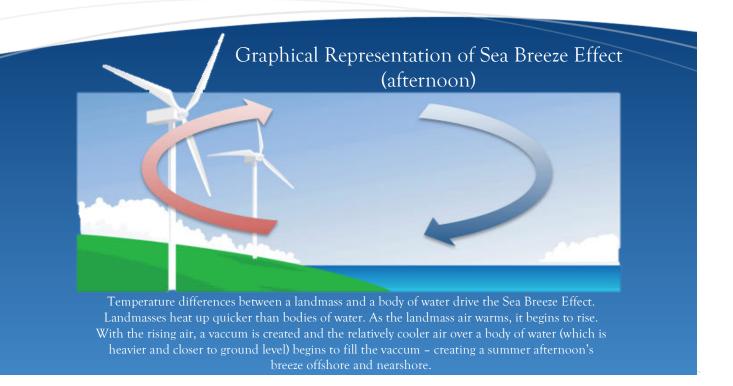


Wind energy has rarely been viewed as a peaking generation resource.

Wind energy is playing a more predominant role in electricity generation around the world and especially in the United States. Despite the surge in wind energy development, common misconceptions about this resource still remain. One of these misconceptions is that the wind does not blow (and thus, cannot create electricity) when electric power utilities require that electricity the most. To the contrary, wind farms in nearshore and offshore areas are likely to have exceptional coincidence with electrical demand load; especially with electric utilities in the southeast due to the Sea Breeze Effect. The Sea Breeze Effect is the process whereby winds move inward from the ocean to the land, and back again, due to temperature differences between the landmass and ocean. To test this premise, electrical generation data from three theoretical offshore wind farms off North Carolina's coast were compared against an hourly demand load profile of a major electric utility in North Carolina.

The Sea Breeze Effect puts a different spin on that point of view.

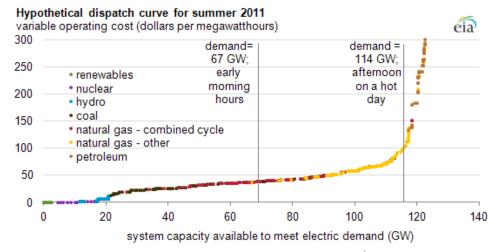
The Sea Breeze Effect occurs in coastal areas. As the ocean and landmasses warm and cool in a cyclical fashion throughout the days and nights, the two bodies lose and gain heat at different rates. Water radiates and absorbs heat from the sun at a slower rate than land. During hot summer afternoons, as the land heats up at a faster rate than the ocean, the hot air mass above the land rises creating a vacuum. That vacuum is then filled by the cooler air mass above the ocean. From the shore, an observer should feel a sea breeze coming from the ocean in the late afternoons on hot summer days. This effect can occur at anytime of year. During the winter, for example, an opposite sea breeze can be felt early in the mornings when the colder land air mass is rushing over the shore to fill the void left by the warmer ocean air rising. If nearshore or offshore wind farms can capture sea breezes, those wind farms will be well positioned to supply the real-time needs of a utility.



Peak-Power is High Value Power.

Peaking generation power plants are used minimally, but are required to quickly generate electricity and rapidly ramp up to meet the required electrical load. Peaking generation power plants can use diesel, petroleum, or more commonly, natural gas as a fuel source.⁵ The power plant's minimal use, rapid and inefficient response as well as the use of fuels that are subject to price volatility make peaking generation an expensive generation resource. Nevertheless, peaking generation provides vital electrical resources when utilities need it most to prevent brownouts and blackouts. As such, utilities will pay more for peaking generation to ensure electrical reliability.

If offshore wind farms are capable of supplying peak power, utilities would not have to rely on more expensive peaking generation units.



Source: U.S. Energy Information Administration.⁶

Note: The dispatch curve above is for a hypothetical collection of generators and does not represent an actual electric power system or model results. The capacity mix (of available generators) differs across the country; for example, the Pacific Northwest has significant hydroelectric capacity, and the Northeast has low levels of coal capacity. This dispatch curve does not show all costs associated with electric generation, such as capital costs

Sea Breeze Effect Occurs Offshore and Nearshore.

In 2007, an American offshore wind development firm published a report on offshore wind energy's capability of matching a utility's summer demand.² The Cape Wind project off the coast of Massachusetts has a tower constructed several miles offshore that collects wind speed data. The data show that if that were constructed, electricity it would produce would coincide with summertime peak electrical generating demand. Cape Wind provides anecdotal evidence the Sea Breeze Effect's implications for offshore wind development.

Similar evidence suggests the Sea Breeze Effect also occurs in nearshore areas. In 2011, on a hot afternoon in Texas, numerous natural gas power plants and at least one coal-fired power plant suddenly went offline due to excessive heat.³ Newly built coastal wind farms provided power when the Texas grid manager needed the electricity most due in part to the sea breeze effect, helping to prevent a brownout or blackout.⁴ Therefore, the Sea Breeze Effect is not only a phenomenon for offshore, but also nearshore areas.

North Carolina's Power Demands are Highest in the Summer.

Duke Energy is the largest electric utility in the country.⁷ The hour-by-hour electrical demand load profile of Duke Energy Carolinas LLC is available through the Federal Energy Regulatory Commission Form 714 for 2006-2008. However, hourly generation cost (system lambda) data are only available for the year 2006.⁸

Duke Energy's electrical demand tends to peak in the summer months from June to early September (represented approximately by hours 4,000 – 6,000). During the wintertime, peak electrical demand also occurs from December to February (represented approximately by hours 8,000-8,760 and hours 0-1,000), albeit at a lesser scale relative to the summer months. Of the top 10% of electrical demand hours, the vast majority of them occur in June, July and August (see Chart 3).

Another way to determine the importance of electrical generation is to evaluate at the cost of electricity at a particular hour. The higher the electrical cost, presumably the more important electrical generation becomes at that particular time. One way to determine these costs is by evaluating a utility's cost to generate the next megawatt-hour (MWh) of electricity, also called the "system lambda". For Duke Energy, the 2006 top 10% of system lambda costs ranged from about \$47 per MWh to about \$241 per MWh. A high occurrence of the top 10% system lambda costs in 2006 occurred in June, July and August (see Chart 4). However, April had the highest occurrences of those top costs, and the top costs (in the \$230+ per MWh range) occurred in November. The variability of these top system lambda costs is potentially due to the availability of only a single year of data.

Chart 2: Duke Energy Carolinas Power Annual Electrical Demand 2006-2008 Average (MW, by hour)

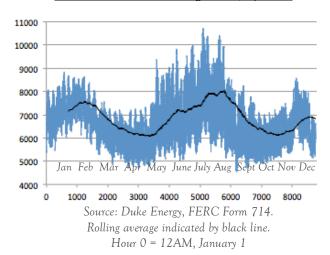


Chart 3: Top 10% Hourly Demand Load Occurrences (Average 2006-2008)

January	34
February	53
May	29
June	142
July	247
August	332
September	28
December	11

Source: Duke Energy, FERC Form 714.

<u>Chart 4: Top 10% System Lambda Cost</u> <u>Occurrences (2006)</u>

January	28
March	107
April	205
May	107
June	156
July	137
August	102
September	14
October	5
November	11
December	4

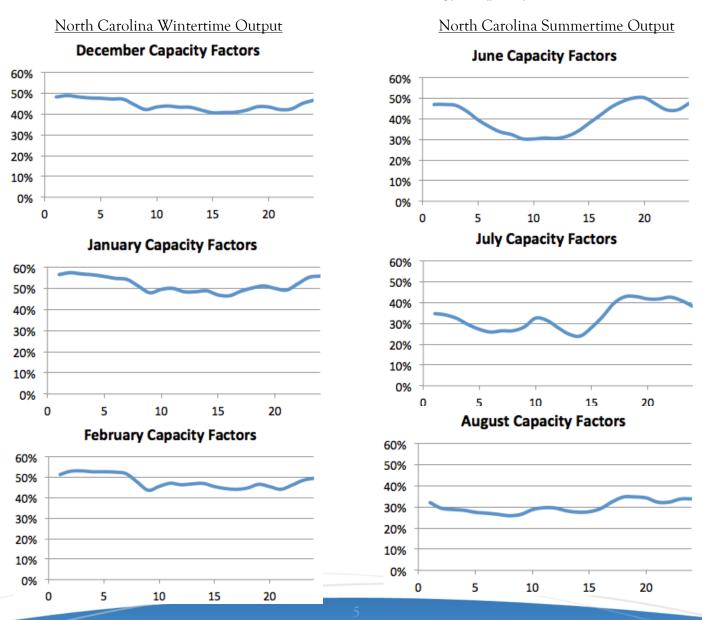
Source: Duke Energy, FERC Form 714.

North Carolina's Sea Breeze Effect is Strongest in the Summer.

A report completed in 2011 by AWS Truepower estimated offshore wind energy output for three potential offshore wind farms off North Carolina's coast. ¹⁰ For each of the three potential wind farms, 10-minute scale wind speed data files were created based on historical data from January 1, 1999 to December 31, 2008. For the purposes of this Sea Breeze Effect report, the data files were aggregated from 2006-2008 (to match data available from Duke Energy) and narrowed down to the wintertime and summertime periods to evaluate wind energy's output during peak demand periods.

As can be seen by Chart 5, the Sea Breeze Effect during the summer months is most pronounced in the afternoon (especially around 5PM or 6PM). However, a similar effect is seen earlier in the day during the summertime peaking around 9AM or 10AM in July and August. Wintertime capacity factors tend to peak in the night; however, capacity factors are generally higher than summertime and also tend to vary less.

Chart 5: Seasonal Offshore Wind Energy Output by Hour



North Carolina's Sea Breeze Effect Matches Peak Demand.

Offshore wind peak generation generally occurs in the late afternoon during the summertime. Two sea breeze effects are noticeable from North Carolina's offshore wind resource; a small one in the morning peaking around 10AM and a larger one in the late afternoon peaking around 5PM or 6PM in July and August. North Carolina's offshore wind resource is readily available during Duke Energy's top 10% load hours (top 876 hours in a year). During Duke Energy's average top 10% load hours from 2006-2008, the average capacity factor for modeled offshore wind resources was approximately 36%. Modeled offshore wind resources match Duke Energy's top 10% system lambda hourly costs (top 876 hours in a year) better than top load hours. During Duke Energy's top 10% system lambda hourly costs in 2006, the average capacity factor for North Carolina's offshore wind resources was approximately 42%. The most peak load hours and many peak system costs occur in the months of June, July and August.

Wintertime offshore wind energy generation resources are generally more abundant than the summertime resources. However, due to the strong focus on system peak loads and system lambda costs, wintertime offshore wind resources are potentially less valuable to Duke Energy. Nevertheless, wintertime offshore wind resources obtain higher capacity factors and fluctuate less than the summertime resources.

August tends to be the month with the highest peak loads, the highest number of peak load hours and a high number of top system lambda costs. As such, August is a particularly important month for offshore wind resources to correlate to electrical demand. On an annual basis, North Carolina's offshore wind energy resources have a moderately negative correlation* (-0.51), typically meaning that as electrical demand increases, offshore wind output decreases and vice versa. However, during the month of August, North Carolina offshore wind resource shows a moderately positive correlation with electrical demand (0.50), meaning as demand increases or decreases, offshore wind tends to follow those trends. A moderately positive correlation also occurs in July (0.48). Offshore wind resources during the winter months have a moderately to strongly negative correlation with electrical demand load to a greater degree than the annual correlation. However, daylight (6AM-7PM) correlation is positive for both summertime and wintertime seasons.

By the Numbers

36%

Average Capacity Factor during Top 10% Load Hours (2006-2008)

42%

Average Capacity Factor during Top 10% System Lambda Hourly Costs (2006)

42%

Average Annual Capacity Factor (2006-2008)

+0.50

August Offshore Wind Positively Correlated with Electric Demand

Chart 6: Offshore Wind Correlation with Electric Demand

	Correlation			
	24-hr	Daylight		
June	0.08	0.59		
July	0.48	0.54		
August	0.50	0.68		
December	-0.80	0.03		
January	-0.81	0.07		
February	-0.81	0.18		
Annual	-0.51	0.24		

^{*}Correlation identifies a statistical relationship between two variables. A +1 correlation shows a perfect relationship, a -1 correlation shows a perfectly opposed relationship and a 0 correlation

Chart 7: Hourly offshore wind output (percentage of peak generation) and hourly Duke Energy demand load curve (percentage of peak load) by month (2006-2008)

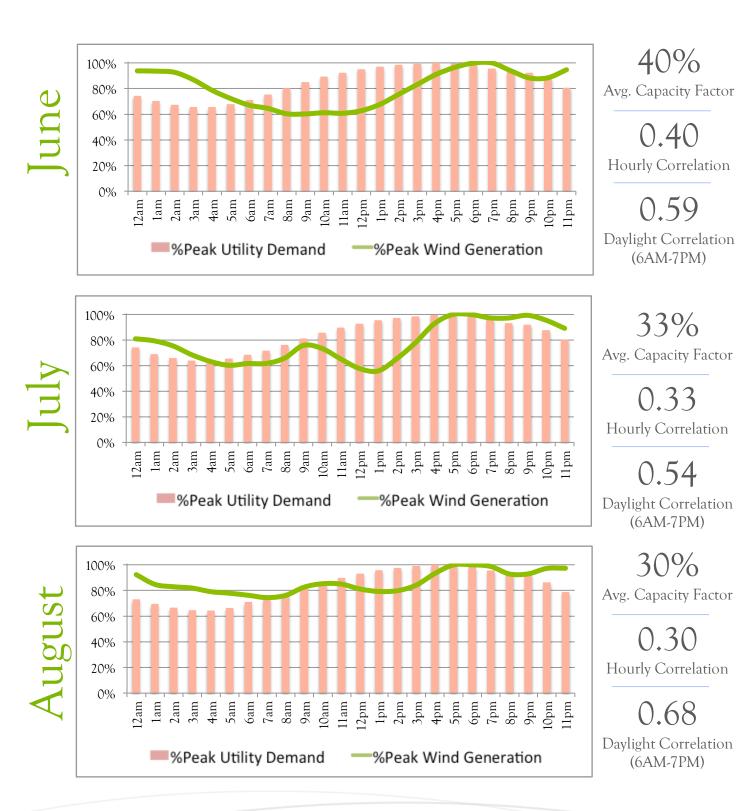
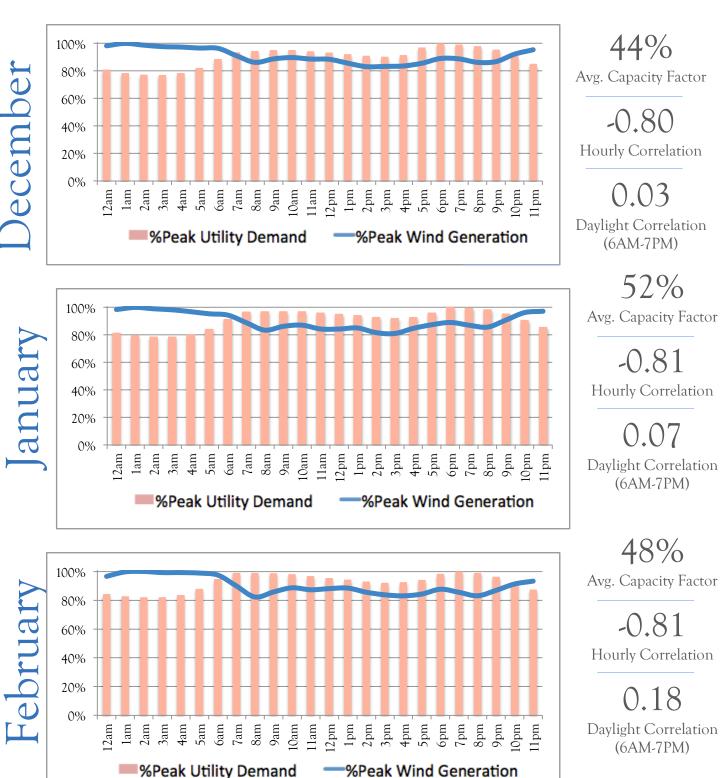


Chart 8: Hourly offshore wind output (percentage of peak generation) and hourly Duke Energy demand load curve (percentage of peak load) by month (2006-2008)



Conclusions

Currently, no offshore wind farms have been built off the United States. Bureaucratic red tape and hesitation to adopt new technology has thus far hampered this multi-billion dollar opportunity here. Abroad and especially in Europe offshore wind farms have been operational for over two decades. As the United States waits to develop this opportunity, it is becoming increasingly clear that offshore and nearshore wind farms can benefit from a unique natural phenomenon that occurs along coastlines. The Sea Breeze Effect occurs in coastal areas offshore and nearshore where a temperature differential between the land and sea causes a change in the wind. This phenomenon warrants a different evaluation of the value of offshore and nearshore wind farm development.

Offshore wind resources tend to be available when load demands are high. Georgia's electricity demands tend to peak in the summertime. During summertime, the state's offshore winds are positively correlated with Georgia Power's hourly electrical demand. Electricity demand tends to be higher during daylight hours when people are most active. Between the hours of 6AM and 7PM (inclusive), correlation between offshore wind resources and utility demand tend to be moderately positive during the summertime but strongly positive during the wintertime.

Offshore and nearshore wind energy would provide high value power. One common misconception is that wind energy should be compared against base load electric generation (e.g., coal or nuclear power); however, this research shows offshore wind and nearshore wind resources act more like peaking generation resources. Traditional peaking power plants, like natural gas combustion turbines, are usually a utility's highest cost power resource and are readily called upon during high load demands in the hot summer afternoons. Like solar power, offshore and nearshore wind resources naturally provide peak power generation during the summertime afternoons. These findings highlight the beneficial value of offshore and nearshore wind resources.

Methodology

Hourly demand loads for Duke Energy Carolinas LLC were collected from the Federal Energy Regulatory Commission Form 714, Part 3, Schedule 2, Respondent ID 157, EIA Code 5416. Hourly loads for 2006, 2007 and 2008 were averaged together on an hourly, and monthly basis. ¹¹ February 29th, 2008 was removed from the dataset as it was the only leap year day.

Wind output data were provided by AWS Truepower in association with development of the report, *Building an Infrastructure for Ocean Based Renewable Energy in the Southeast U.S.: Phase 2B Southeast Mesoscale Study*, April 4, 2011.¹² According to AWS Truepower,

"Using a mesoscale numerical weather prediction model at 20 km resolution, AWST modeled 10 years of wind resource at locations most suitable for offshore wind farm development identified in a previous phase of the project. Model wind speeds were validated by measurements from offshore moored stations in the region. Gross and net power output was calculated for each wind farm location, taking into account losses and turbine availability associated with typical offshore wind farms. Capacity factors were calculated for each site using 8 MW/km the maximum carrying capacity of each wind farm development area. Capacity factors were found to be consistent to those in previous offshore wind studies. Monthly average gross and net capacity factors."

Wind output data were provided on a ten-minute scale from 1999-2008. Gross power output for Study Block 2, 2 and 3 (study blocks closest to North Carolina) were aggregated on an hourly, and monthly basis for 2006, 2007 and 2008. Total potential capacity for the three blocks added together is 3,149 megawatts. Data were made available in Greenwich Mean Time (GMT) and were subsequently altered to Eastern Standard Time (GMT-5) or Eastern Daylight Time (GMT-4) depending on the season. February 29th, 2008 was removed from the datasets.

Establishing Percentage of Peak Generation and Peak Demand

In order to better compare utility demand to offshore wind generation, hourly demand load data and wind output data were converted in percentages.

Percentage of Peak Generation = Wind Hourly Capacity Factor / Wind Hourly Highest Capacity Factor

Percentage of Peak Demand = Hourly Demand / Highest Hourly Demand

Offshore wind generation was converted into hourly capacity factors (output divided by total potential capacity). The highest achieved average capacity factors for each evaluated month (January, February, June, July, August and December) was noted as peak generation. For each month, the average hourly capacity factors were divided by the peak generation (that month's highest average capacity factor) to create a percentage of peak generation. For utility demand load, the average hourly output (in megawatts) was plotted for each evaluated month. The highest achieved average hourly output was noted as peak demand. For each month, the average hourly outputs were divided by the peak demand. Pearson correlation coefficient tests were run on the percentage of peak generation and percentage of peak demand datasets to establish correlation and direction.

Summertime Datasets for Wind Generation and Power Demand (2006-2008, average)

<u>June</u>			July			August		
Time	Wind Generation (MW)	Duke Energy Load (MW)	Time	Wind Generation (MW)	Duke Energy Load (MW)	Time	Wind Generation (MW)	Duke Energy Load (MW)
12am	1482.6	6256.5	12am	1094.4	6668.8	12am	1009.8	6902.7
1am	1477.8	5917.0	1am	1071.4	6195.8	1am	925.7	6572.1
2am	1462.9	5669.7	2am	1018.5	5918.8	2am	906.2	6291.3
3am	1371.9	5531.6	3am	925.5	5743.1	3am	894.6	6116.6
4am	1242.5	5515.1	4am	854.9	5705.3	4am	863.9	6080.4
5am	1141.1	5707.4	5am	813.1	5865.0	5am	851.0	6274.0
6am	1058.7	5986.2	6am	831.6	6145.8	6am	833.3	6715.0
7am	1019.7	6344.5	7am	832.9	6428.1	7am	813.6	6961.4
8am	953.2	6754.8	8am	890.4	6844.6	8am	832.8	7288.0
9am	951.4	7149.8	9am	1023.3	7282.6	9am	902.9	7709.5
10am	966.1	7514.0	10am	990.5	7701.5	10am	932.2	8135.0
11am	959.8	7773.4	11am	880.0	8042.4	11am	928.2	8485.4
12pm	991.1	7996.1	12pm	780.0	8329.0	12pm	886.4	8803.5
1pm	1069.7	8177.2	1pm	753.9	8562.3	1pm	866.2	9063.8
2pm	1192.3	8284.0	2pm	882.6	8720.2	2pm	872.9	9228.6
3pm	1313.6	8358.3	3pm	1050.8	8844.3	3pm	919.8	9355.0
4pm	1437.3	8415.3	4pm	1249.8	8957.5	4pm	1019.1	9450.5
5pm	1523.7	8386.9	5pm	1349.2	8969.0	5pm	1092.3	9436.4
6pm	1576.8	8263.6	6pm	1348.6	8853.5	6pm	1093.1	9291.6
7pm	1579.2	8047.5	7pm	1313.6	8622.0	7pm	1078.5	9029.3
8pm	1484.1	7841.6	8pm	1312.8	8366.9	8pm	1014.7	8876.5
9pm	1394.6	7765.1	9pm	1340.8	8262.6	9pm	1015.7	8748.7
10pm	1396.7	7420.2	10pm	1289.1	7862.0	10pm	1062.2	8150.5
11pm	1495.3	6788.9	11pm	1203.3	7229.1	11pm	1063.9	7456.4

Wintertime Datasets for Wind Generation and Power Demand (2006-2008, average)

January			February			December		
Time	Wind Generation (MW)	Duke Energy Load (MW)	Time	Wind Generation (MW)	Duke Energy Load (MW)	Time	Wind Generation (MW)	Duke Energy Load (MW)
12am	1778.0	6397.3	12am	1615.1	6819.5	12am	1512.4	6143.2
1am	1806.5	6246.1	1am	1665.6	6688.8	1am	1537.9	5957.2
2am	1788.5	6181.4	2am	1670.3	6635.7	2am	1518.5	5866.2
3am	1775.1	6179.1	3am	1657.7	6643.3	3am	1502.3	5850.9
4am	1750.7	6295.6	4am	1657.7	6768.2	4am	1497.4	5946.5
5am	1722.7	6620.0	5am	1651.7	7100.3	5am	1485.9	6231.9
6am	1705.5	7191.1	6am	1628.0	7659.5	6am	1483.2	6720.5
7am	1605.9	7604.6	7am	1501.9	7999.4	7am	1400.4	7104.3
8am	1508.0	7630.3	8am	1373.9	8006.6	8am	1326.4	7172.7
9am	1558.4	7621.7	9am	1432.7	7983.3	9am	1365.0	7217.6
10am	1573.4	7617.0	10am	1481.0	7932.3	10am	1379.9	7219.8
11am	1523.5	7545.5	11am	1458.1	7823.8	11am	1363.1	7149.0
12pm	1522.5	7472.1	12pm	1471.4	7726.7	12pm	1360.4	7077.2
1pm	1536.6	7393.5	1pm	1477.7	7621.7	1pm	1317.2	6993.2
2pm	1475.0	7293.2	2pm	1429.6	7511.5	2pm	1278.1	6898.8
3pm	1464.1	7237.6	3pm	1399.5	7441.9	3pm	1281.1	6850.8
4pm	1531.4	7301.0	4pm	1387.8	7475.9	4pm	1285.9	6942.5
5pm	1578.8	7557.2	5pm	1408.7	7607.8	5pm	1316.4	7364.7
6pm	1609.0	7869.4	6pm	1464.3	7957.9	6pm	1369.5	7585.0
7pm	1573.5	7824.3	7pm	1428.6	8083.4	7pm	1365.2	7513.8
8pm	1548.0	7724.1	8pm	1388.4	8002.8	8pm	1326.2	7437.4
9pm	1640.6	7494.2	9pm	1451.3	7791.8	9pm	1334.9	7248.3
10pm	1738.3	7119.5	10pm	1525.3	7439.9	10pm	1418.0	6883.1
11pm	1756.2	6716.5	11pm	1558.3	7067.1	11pm	1467.0	6456.6

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