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Integrating Module of the National Energy Modeling System: Model Documentation 2004

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Contents

Contents iii

Tables iv

Figures v

1. Introduction 1
    Scope and Organization 1
    Model Archival Citation 2

2. Overview of the Structure of NEMS 3
    Macroeconomic Activity Module 9
    International Module 9
    Residential and Commercial Demand Modules 10
    Industrial Demand Module 10
    Transportation Demand Module 10
    Electricity Market Module 11
    Renewable Fuels Module 11
    Oil and Gas Supply Module 11
    Natural Gas Transmission and Distribution Module 12
    Petroleum Market Module 12
    Coal Market Module 13

3. Global Data Structure 14
    Energy Market Data Representation 17
    Other Variables in the Global Data Structure 21
    Restart File 21
    Reporting Features 22

4. Integrating Module Solution Methodology 23
    Solution Algorithm 23
    Solution Algorithm–Detailed Flow Outline 26
    Convergence Metric 30
    Discontinuities and Convergence Problems in NEMS 32
    Expected Value Foresight 35
    Carbon Dioxide Emission Calculations 39
    Emissions Policy Submodule 42
    Emissions Policy Submodule Implementation and Mathematical Specification 44
        Input-Output Linkages 44
        Emissions Policy Submodule Algorithm 45
        Emission Policy Submodule Mathematical Specification 46

Appendix A. Bibliography 54

Appendix B. NEMS Software Management and Implementation 56

Tables

Table 1. NEMS Module Information Flows 5
Table 2. Summary of NEMS Modeling Detail 8
Table 3. Common Blocks in the NEMS Global Data Structure 16
Table 4. Energy Market Data Consumption Product Arrays 20
Table 5. Energy Market Data Price Product Arrays 21
Table 6. Carbon Dioxide Emissions Factors (Kilograms-carbon per million Btu) 43

Figures

Figure 1. Basic NEMS Structure 4
Figure 2. Census Divisions 9
Figure 3. NEMS Integrating Module Outline 29
Figure 4a. The Supply Curve Cuts Across the Horizontal Portion of the Demand Curve 35
Figure 4b. The Supply Curve Cuts Across the Vertical Portion of the Demand Curve 35
Figure 5. Example of natural gas price expectations, 2005 41

1. Introduction

The National Energy Modeling System (NEMS) is a computer-based, energy-economy modeling system of U.S. energy markets for the midterm period, extending through 2025. NEMS projects the production, imports, conversion, consumption, and prices of energy, subject to a variety of assumptions. The assumptions encompass macroeconomic and financial factors, world energy markets, resource availability and costs, behavioral and technological choice criteria, technology characteristics, and demographics. NEMS produces a general equilibrium solution for energy supply and demand in the U.S. energy markets on an annual basis.

Baseline forecasts from NEMS are published in the *Annual Energy Outlook*. Analyses are also prepared in response to requests by the U.S. Congress, the DOE Office of Policy and International Affairs, and other federal organizations. NEMS was first used for forecasts presented in the *Annual Energy Outlook 1994.*

Scope and Organization

Publication of this document is supported by Public Law 93-275, Federal Energy Administration Act of 1974, Section 57(B)(1) (as amended by Public Law 94-385, Energy Conservation and Production Act), which states in part

> *...that adequate documentation for all statistical and forecast reports prepared...is made available to the public at the time of publication of such reports.*

In particular, this report is designed to meet EIA's model documentation standards established in accordance with these laws.

For documentation purposes, the individual components of NEMS are considered distinct models and documented individually. While the NEMS integrating module is a distinct component of NEMS, the integrating module is not by itself, a model. Rather, it is a component of the overall NEMS model and implements specific aspects of the overall modeling methodology that are not documented elsewhere. The documentation is organized accordingly.

Because the Integrating Module controls the solution process for all of NEMS, the second chapter summarizes NEMS as a whole. Readers interested in a more comprehensive summary of NEMS should see *The National Energy Model System: An Overview 2003*, DOE/EIA-0581(2003), March 2003[1].

[1]See http://tonto.eia.doe.gov/FTPROOT/forecasting/05812003.pdf

Chapter 3 describes the NEMS global data structure, used for inter-module communication, solution initialization and storage, and certain database operations.

Chapter 4, Integrating Module Solution Methodology, provides the mathematical specification for the solution algorithm and describes the convergence techniques used. Chapter 4 also documents other modeling functions of the Integrating Module, include generation of foresight assumptions and carbon dioxide emission policy routines.

A bibliography is contained in Appendix A, and Appendix B describes some of the configuration management and other implementation practices used to coordinate NEMS software development.

Model Archival Citation

This documentation refers to the NEMS Integrating Module as archived for the *Annual Energy Outlook 2004*.

2. Overview of the Structure of NEMS

NEMS is structured as a modular system. The modules include the Integrating Module and a series of relatively independent modules that represent the domestic energy system, the international energy market, and the economy. The domestic energy system is decomposed into fuel supply markets, conversion activities, and end-use consumption sectors.

As shown in **Figure 1**, NEMS consists of four supply modules (oil and gas, natural gas transmission and distribution, coal, and renewable fuels), two conversion modules (electricity and petroleum refineries), four demand modules (residential, commercial, transportation and industrial sectors), one module to simulate energy/economy interactions (macroeconomic activity), one to simulate world energy/domestic energy interactions (international energy activity), and one module that provides the mechanism to achieve a general market equilibrium among all the modules (integrating module). The last of these is the focus of this document.

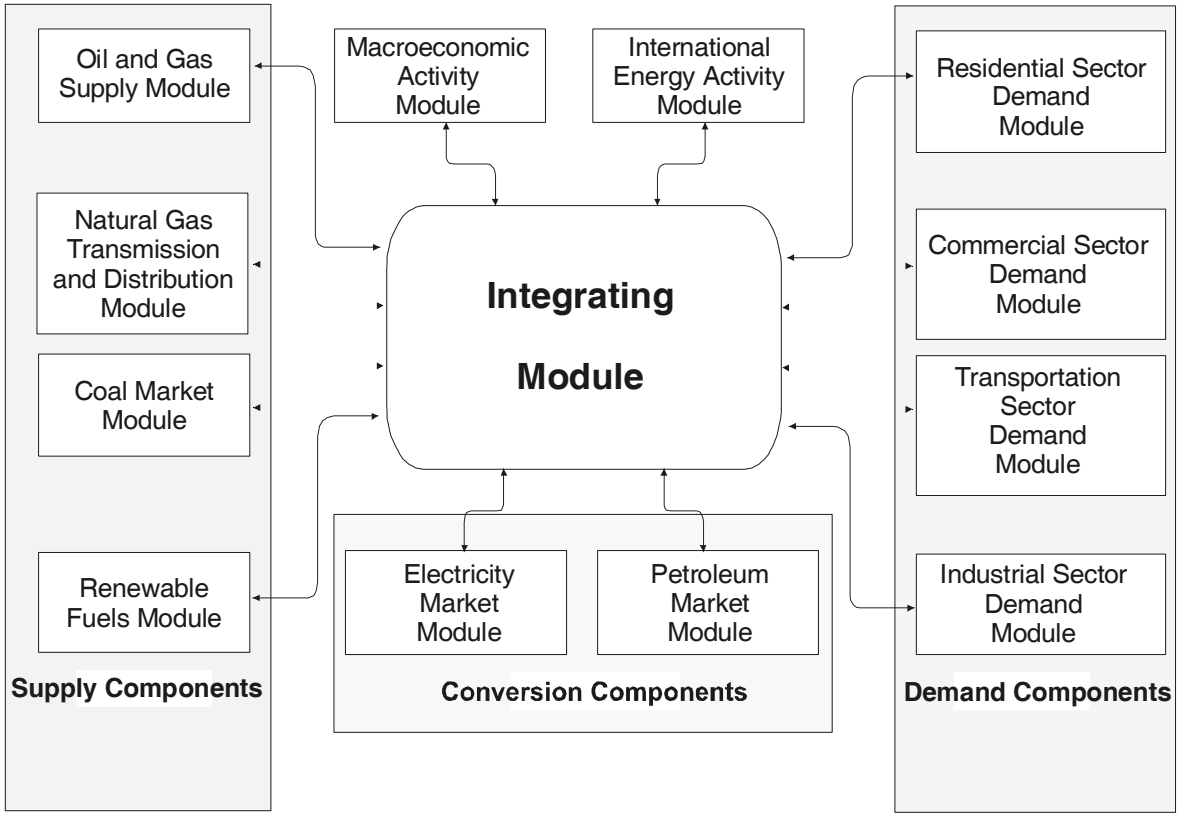
Model modularity implies a system of self-contained units, each performing a specific, well-defined function. This concept is generally consistent with the economic structure of energy markets, which can be represented by various supply, conversion, and demand components that are largely separable. Because energy markets are heterogenous, a single methodology cannot adequately represent all supply, conversion, and end-use demand sectors. The modularity of the NEMS design provides the flexibility for each component to use the methodology and regional coverage that is most appropriate.

Furthermore, the capability to execute the modules individually or in subsets is supported. This fostered independent module development, a distribution of model development work organized by energy market specialties, and incremental development of the system as a whole.

To support modularity, the information flows between modules must be centralized in some way. The data linkages between modules are implemented through the NEMS Global Data Structure. The Global Data Structure (discussed in more detail in Chapter 3) is defined as the set of data communicated among any of the thirteen NEMS modules or used in the NEMS output reports. The global data is shared passively; the integrating module does not direct or control information flows, other than to manage the input and output of global data as a whole. Individual NEMS modules have free access to the global data they need for input and must update the global variables storing their module's output.

The primary data flows among the modules are the delivered prices of energy and the quantities consumed by product, region, and sector. As shown in **Table 1**, the information flows among modules are not limited to prices and quantities, but include other information such as economic activity, capital expenditures, and international energy supply curves.

Figure 1. Basic NEMS Structure



Many NEMS modules simulate the economic decision-making involved in the portion of the energy system being modeled. In order to represent these decisions, NEMS is constructed with a reasonably fine detail of energy product categories and the regional locations of the sites of energy production and use. This detail is necessary since the economics of allocating energy products is strongly influenced by the product category at issue and regional differences in costs and other factors. **Table 2** provides a summary of NEMS product and regional detail.

The Integrating Module of NEMS processes energy consumption and price information aggregated primarily at the Census division levels. The nine Census divisions are depicted in **Figure 2**. In addition, the integrating module processes some intermodule energy market data at regional levels tied to electricity supply regions. These alternative regional breakouts provide specific market feedbacks for consumption and prices of fuel used for electricity generation. While the NEMS modules use different regional structures as appropriate for their market segments, they aggregate (or disaggregate) their solutions to the Census division structure for processing by the Integrating Module and by the reporting programs. Details of the conversion processes embedded in the modules are given in the individual *Model Documentation Reports* (see Appendix A, bibliography).

The projection horizon for NEMS is 2025, covering that time period in which the structure of the economy, the nature of energy markets, and regional demographics are sufficiently well understood in structural and regional detail. The majority of policies proposed today can be expected to have their greatest impacts during the midterm years.

Rather than trying to attain some planned state of energy markets, NEMS attempts to simulate where the present state of energy markets and planned policies would take us. Therefore it solves forward in time year-by-year.

The Integrating Module applies the Gauss-Seidel algorithm for solving simultaneous nonlinear equations as its solution methodology. Chapter 4 describes this approach in detail.

Table 1. NEMS Module Information Flows

Module	Outputs	Inputs from NEMS	Exogenous Inputs
Oil and Gas Supply	Crude oil production Domestic and Canadian natural gas supply curves Mexican and liquefied natural gas imports and exports Cogeneration from oil and gas production Reserves and reserve additions Drilling levels Associated-Dissolved gas production	Domestic and Canadian natural gas production and wellhead prices Crude oil demand World oil price Electricity Price Gross domestic product Inflation rate	Resource levels Initial finding rate parameters and costs Production profiles Tax parameters Mexican and liquefied natural gas imports and exports
Natural Gas Transmission and Distribution	Natural gas end-use and electric generator prices Domestic and Canadian natural gas wellhead prices Domestic natural gas production Canadian natural gas imports and production Lease and plant fuel consumption Pipeline fuel use Pipeline and distribution tariffs Interregional natural gas flows Storage and pipeline capacity expansion Supplemental gas production	Natural gas demands Domestic and Canadian natural gas supply curves Mexican and liquefied natural gas imports Macroeconomic variables Associated-dissolved natural gas production	Historical consumption patterns Historical flow patterns Rate design specifications Company-level financial data Pipeline and storage capacity and utilization data Historical end-use prices State and Federal tax parameters Pipeline and storage expansion cost data Supplemental gas production
Petroleum Market	Petroleum product prices Crude oil imports and exports Crude oil demand Petroleum product imports and exports Refinery activity and fuel use Ethanol demand and price Combined heat and power (CHP) Natural gas plant liquids production Processing gain Capacity additions Capital expenditures Revenues	Petroleum product demand by sector Domestic crude oil production World oil price International crude oil supply curves International product supply curves International oxygenates supply curves Natural gas prices Electricity prices Coal prices Natural gas production Macroeconomic variables Biomass supply curves	Processing unit operating parameters Processing unit capacities Product specifications Operating costs Capital costs Transmission and distribution costs Federal and State taxes Agricultural feedstock quantities and costs CHP unit operating parameters CHP unit capacities
Coal Market	Coal production and distribution Minemouth coal prices End-use coal prices Coal exports Transportation rates Coal quality by source, destination, and end-use sector World coal flows	Coal demand Interest rates Price indices and deflators Diesel fuel prices Electricity prices	Base year production, prices, and coal quality parameters Contract quantities Labor productivity Labor costs and cost escalators Domestic transportation costs International transportation costs International supply curves Demand for U.S. coal imports
Renewable Fuels	Energy production capacities Capital costs Operating costs (including wood supply prices for the wood submodule) Capacity factors Available capacity Biomass fuel costs Biomass supply curves	Installed energy production capacity Gross domestic product Population Interest rates Avoided cost of electricity Discount rate Capacity additions Biomass consumption	Site-specific geothermal resource quality data Site-specific wind resource quality data Plant utilization (capacity factor) Technology cost and performance parameters Landfill gas capacity

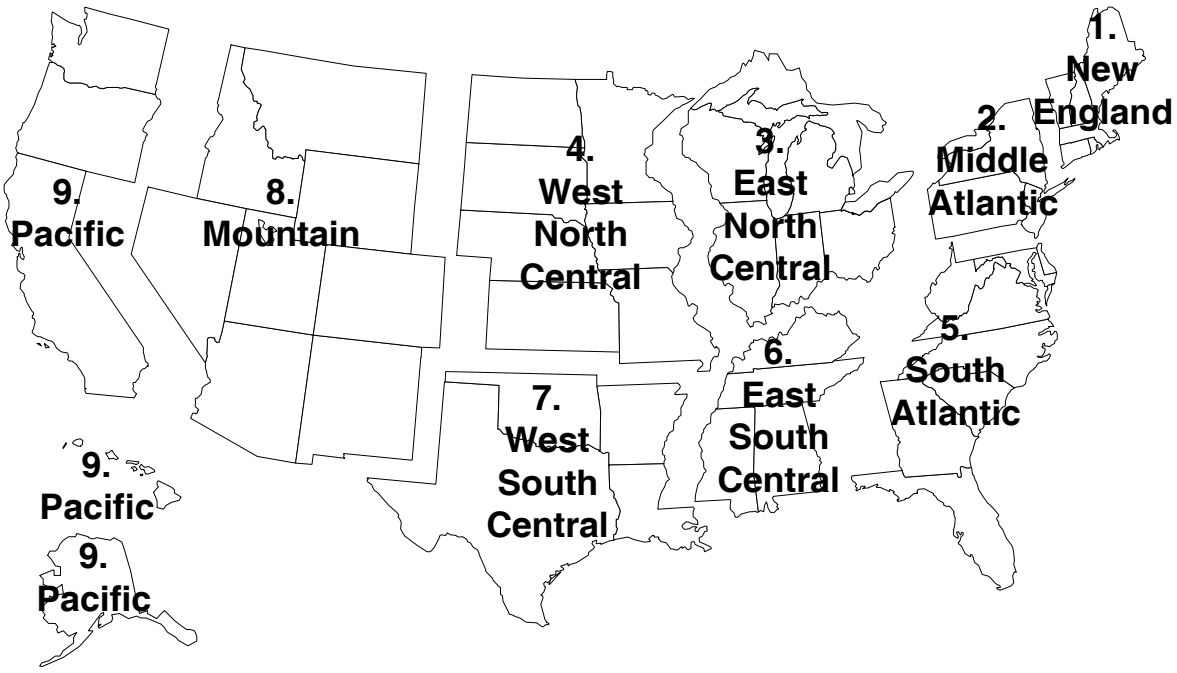
Table 1. NEMS Module Information Flows (Continued)

Module	Outputs	Inputs from NEMS	Exogenous Inputs
Electricity Market	Electricity prices and price components Fuel demands Capacity additions Capital requirements Emissions Renewable capacity Avoided costs	Electricity sales Fuel prices Cogeneration supply and fuel consumption Electricity sales to the grid Renewable technology characteristics, allowable capacity, and costs Renewable capacity factors Gross domestic product Interest rates	Financial data Tax assumptions Capital costs Operation and maintenance costs Operating parameters Emissions rates New technologies Existing facilities Transmission constraints Hydropower capacity and capacity factors
Residential	Energy demand by service and fuel type Changes in housing and appliance stocks Appliance stock efficiency	Energy product prices Housing starts Population	Current housing stocks, retirement rates Current appliance stocks and life expectancy New appliance types, efficiencies, and costs Housing shell retrofit indices Unit energy consumption Square footage
Commercial	Energy demand by service and fuel type Changes in floorspace and appliance stocks	Energy product prices Interest rates Floorspace growth	Existing commercial floor space Floorspace survival rates Appliance stocks and survival rates New appliance types, efficiencies, costs Energy use intensities
Industrial	Energy demand by service and fuel type Electricity sales to the grid Cogeneration output and fuel consumption	Energy product prices Economic output by industry Refinery fuel consumption Lease and plant fuel consumption Cogeneration from refineries and oil and gas production	Production stages in energy- intensive industries Technology possibility curves Unit energy consumption Stock retirement rates
Transportation	Fuel demand by mode Sales, stocks and characteristics of vehicle types by size class Vehicle-miles traveled Fuel efficiencies by technology type Alternative-fuel vehicle sales by technology type Light-duty commercial fleet vehicle characteristics	Energy product prices Gross domestic product Disposable personal income Industrial output Vehicle sales International trade Natural gas pipeline consumption	Current and projected demographics Existing vehicle stocks by vintage and fuel efficiency and vehicle survival rates New vehicle technologies characteristics Fuel availability Commercial availability Vehicle safety and emissions regulations Vehicle miles-per-gallon degradation rates
International Energy Activity	World oil price Crude oil import supply curves Refined product import supply curves Oxygenate import supply curves	Domestic production of crude oil, natural gas liquids, gas-to-liquids, coal-to-liquids, and other liquids production Domestic refinery gain Domestic product supplied GDP price deflators Domestic imports of crude oil, refined products, oxygenates, and unfinished oils	OPEC Production Path Reference non-U.S. oil supply and Demand Non-U.S. economic parameters Base import supply curves for crude oils, refined products, and oxygenates
Macroeconomic Activity Module	Gross domestic product Other economic activity measures, including housing starts, commercial floorspace growth, vehicle sales, population Price indices and deflators Industry production rates Interest rates	Petroleum, natural gas, coal, and electricity prices Oil natural gas, and coal production Electric and gas industry output Refinery Output End-Use energy consumption by fuel	Macroeconomic variables defining alternative economic growth cases

Table 2. Summary of NEMS Modeling Detail

Energy Activity	Categories	Regions
Residential demand	Sixteen end-use services Three housing types Thirty-four end-use technologies	Nine Census divisions
Commercial demand	Ten end-use services Eleven building types Ten distributed generation technologies Sixty-four end-use technologies	Nine Census divisions
Industrial demand	Seven energy-intensive industries Eight non-energy-intensive industries Cogeneration	Four Census regions, shared to nine Census divisions
Transportation demand	Six car sizes Six light truck sizes Sixty-three conventional fuel-saving technologies for light-duty vehicles Gasoline, diesel, and thirteen alternative-fueled vehicle technologies for light-duty vehicles Twenty vintages for light-duty vehicles Narrow and wide-body aircraft Six advanced aircraft technologies Medium and heavy freight truck size classes Thirty-Seven advanced freight truck technologies	Nine Census divisions
Electricity	Eleven fossil technologies Two distributed generation technologies Seven renewable technologies Conventional and advanced nuclear Marginal and average cost pricing Generation capacity expansion Seven environmental control technologies	Fifteen electricity supply regions
Renewables	Wind, geothermal, solar thermal, solar photovoltaic, landfill gas, biomass, conventional hydropower	Fifteen electricity supply regions
Oil supply	Onshore Deep and shallow offshore	Six lower 48 onshore regions Three lower 48 offshore regions Three Alaska regions
Natural gas supply	Conventional lower–48 onshore Lower-48 deep and shallow offshore Coalbed methane Gas shales Tight sands Canadian, Mexican, and liquefied natural gas Alaskan gas	Six lower 48 onshore regions Three lower 48 offshore regions Three Alaska regions Eight liquefied natural gas import regions
Natural gas transmission and distribution	Core *vs.* noncore Peak *vs.* offpeak Pipeline capacity expansion	Twelve lower-48 regions Ten pipeline border points
Refining	Five crude oil categories Fourteen product categories More than 40 distinct technologies Refinery capacity expansion	Three refinery regions aggregated from Petroleum Administration for Defense Districts
Coal supply	Three sulfur categories Four thermal categories Underground and surface mining types Imports and Exports	Eleven supply regions Thirteen demand regions Sixteen export regions Twenty import regions

Figure 2. Census Divisions



The individual modules of NEMS are described briefly below:

Macroeconomic Activity Module

The Macroeconomic Activity Module provides a set of essential macroeconomic drivers to the energy modules and a macroeconomic feedback mechanism within NEMS. Key macroeconomic variables include Gross Domestic Product (GDP), interest rates, disposable income, and employment. Industrial drivers are calculated for 35 industrial sectors. This module uses the following Global Insight models: Macroeconomic Model of the U.S. Economy, National Industrial Shipments Model, National Employment Model, and the Regional Disaggregation Model for macroeconomic drivers. In addition, EIA has constructed a Commercial Floorspace Model to forecast 13 floorspace types in 9 Census divisions.

International Module

The International Module represents the world oil markets, calculating the average world oil price and computing supply curves for five categories of imported crude oil for the Petroleum Market

Module of NEMS, in response to changes in U.S. import requirements. International petroleum product supply curves, including curves for oxygenates, are also calculated.

Residential and Commercial Demand Modules

The Residential Demand Module forecasts consumption of residential sector energy by housing type and end use, based on delivered energy prices, the menu of equipment available, the availability of renewable sources of energy, and housing starts. The Commercial Demand Module forecasts consumption of commercial sector energy by building types and nonbuilding uses of energy and by category of end use, based on delivered prices of energy, availability of renewable sources of energy, and macroeconomic variables representing interest rates and floorspace construction. Both modules estimate the equipment stock for the major end-use services, incorporating assessments of advanced technologies, including representations of renewable energy technologies and effects of both building shell and appliance standards. The commercial module incorporates combined heat and power (CHP) technology. Both modules include a forecast of distributed generation.

Industrial Demand Module

The Industrial Demand Module forecasts the consumption of energy for heat and power and for feedstocks and raw materials in each of 16 industry groups, subject to the delivered prices of energy and macroeconomic variables representing employment and the value of shipments for each industry. The industries are classified into three groups-energy-intensive, non-energy-intensive, and nonmanufacturing. Of the eight energy-intensive industries, seven are modeled in the Industrial Demand Module, with components for boiler/steam/cogeneration, buildings, and process/assembly use of energy. A representation of cogeneration and a recycling component are also included. The use of energy for petroleum refining is modeled in the Petroleum Market Module, and the projected consumption is included in the industrial totals.

Transportation Demand Module

The Transportation Demand Module forecasts consumption of transportation sector fuels, including petroleum products, electricity, methanol, ethanol, compressed natural gas, and hydrogen by transportation mode, vehicle vintage, and size class, subject to delivered prices of energy fuels and macroeconomic variables representing disposable personal income, GDP, population, interest rates, and the value of output for industries in the freight sector. Fleet vehicles are represented separately to allow analysis of CAAA90 and other legislative proposals, and the module includes a component to explicitly assess the penetration of alternative-fuel vehicles. The air transportation component was substantially revamped for AEO2004. The submodel represents the industry practice of parking aircraft to reduce operating costs and the movement of aircraft from the passenger to cargo markets as aircraft age. For air freight shipments, the model employs narrow-body and wide-body aircraft only. The model also uses an infrastructure constraint that limits air travel growth to levels commensurate with industry-projected infrastructure expansion and capacity growth.

Electricity Market Module

The Electricity Market Module models generation, transmission, and pricing of electricity, subject to delivered prices for coal, petroleum products, natural gas, and biofuels; costs of generation by all generation plants, including capital costs; macroeconomic variables for costs of capital and domestic investment; enforced environmental emissions laws and regulations; and electricity load shapes and demand. There are three primary submodules: capacity planning, fuel dispatching, and finance and pricing. Nonutility generation, distributed generation, and transmission and trade are modeled in the planning and dispatching submodules. The levelized fuel cost of uranium fuel for nuclear generation is directly incorporated into the Electricity Market Module.

All specifically identified CAAA90 compliance options that have been promulgated by the U.S. Environmental Protection Agency (EPA) are explicitly represented in the capacity expansion and dispatch decisions; those that have not been promulgated are not incorporated (e.g., fine particulate proposal). Several States, primarily in the Northeast, have recently enacted air emission regulations that affect the electricity generation sector. Where firm State compliance plans have been announced, regulations are represented in AEO2004.

Renewable Fuels Module

The Renewable Fuels Module (RFM) includes submodules representing natural resource supply and technology input information for central-station, grid-connected electricity generation technologies, including biomass (wood, energy crops, and biomass co-firing), geothermal, landfill gas, solar thermal, solar photovoltaics, and wind energy. The RFM contains natural resource supply estimates representing the regional opportunities for renewable energy development. Conventional hydroelectricity is represented in the Electricity Market Module (EMM). Investment tax credits for renewable fuels are incorporated, as currently legislated in the Energy Policy Act of 1992. The law provides a 10-percent tax credit for business investment in solar energy (thermal nonpower uses as well as power uses) and geothermal power. The credits have no expiration date.

Oil and Gas Supply Module

The Oil and Gas Supply Module models domestic crude oil and natural gas supply within an integrated framework that captures the interrelationships between the various sources of supply: onshore, offshore, and Alaska by both conventional and nonconventional techniques, including gas recovery from coalbeds and low-permeability formations of sandstone and shale. This framework analyzes cash flow and profitability to compute investment and drilling for each of the supply sources, based on the prices for crude oil and natural gas, the domestic recoverable resource base, and the state of technology. Oil and gas production functions are computed at a level of 12 supply regions, including 3 offshore and 3 Alaskan regions. This module also represents foreign sources of natural gas, including pipeline imports and exports to Canada and Mexico, and liquefied natural gas (LNG) imports and exports.

Crude oil production quantities are input to the Petroleum Market Module for conversion and blending into refined petroleum products. Supply curves for natural gas are input to the Natural Gas Transmission and Distribution Module for use in determining natural gas prices and quantities. International LNG supply sources and options for regional expansions of domestic regasification capacity are represented, based on the projected regional costs associated with gas supply, liquefaction, transportation, regasification, and natural gas market conditions.

Natural Gas Transmission and Distribution Module

The Natural Gas Transmission and Distribution Module represents the transmission, distribution, and pricing of natural gas, subject to end-use demand for natural gas and the availability of domestic natural gas and natural gas traded on the international market. The module tracks the flows of natural gas in an aggregate, domestic pipeline network, connecting the domestic and foreign supply regions with 12 demand regions. This capability allows the analysis of impacts of regional capacity constraints in the interstate natural gas pipeline network and the identification of pipeline and storage capacity expansion requirements. Peak and off-peak periods are represented for natural gas transmission, and core and noncore markets are represented at the burner tip. Key components of pipeline and distributor tariffs are included in the pricing algorithms.

Petroleum Market Module

The Petroleum Market Module (PMM) forecasts prices of petroleum products, crude oil and product import activity, and domestic refinery operations (including fuel consumption), subject to the demand for petroleum products, the availability and price of imported petroleum, and the domestic production of crude oil, natural gas liquids, and alcohol fuels. The module represents refining activities for five regions-Petroleum Administration for Defense Districts (PADD) 1 through 5. The module uses the same crude oil types as the International Energy Module. It explicitly models the requirements of CAAA90 and the costs of automotive fuels, such as oxygenated and reformulated gasoline, and includes oxygenate production and blending for reformulated gasoline. AEO2004 reflects legislation that bans or limits the use of the gasoline blending component methyl tertiary butyl ether (MTBE) in the next several years in California, Colorado, Connecticut, Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, Nebraska, New York, Ohio, South Dakota, Washington, and Wisconsin.

The Federal oxygen requirement for reformulated gasoline in Federal nonattainment areas is assumed to remain intact. The "Tier 2" regulation that requires the nationwide phase-in of gasoline with a greatly reduced annual average sulfur content between 2004 and 2007 and the diesel regulation that significantly limits the sulfur content of all highway diesel fuel produced after June 1, 2006, are represented in AEO2004. Costs of the regulation include capacity expansion for refinery-processing units based on a 10-percent hurdle rate and a 10-percent after-tax return on investment. End-use prices are based on the marginal costs of production, plus markups representing product and distribution costs, and State and Federal taxes. Refinery capacity expansion at existing sites may occur in all five refining regions modeled.

Coal Market Module

The Coal Market Module (CMM) simulates mining, transportation, and pricing of coal, subject to the end-use demand for coal differentiated by heat and sulfur content. The coal supply curves include a response to capacity utilization of mines, mining capacity, fuel costs, labor productivity, and factor input costs (mining equipment, mining labor, and fuel requirements). Twelve coal types are represented-differentiated by coal rank, sulfur content, and mining process. Production and distribution are computed for 11 supply and 14 demand regions, using imputed coal transportation costs and trends in factor input costs. The CMM also forecasts the requirements for U.S. coal exports and imports. The international coal market component of the module computes trade in 3 types of coal for 16 export and 20 import regions. Both the domestic and international coal markets are simulated in a linear program.

3. Global Data Structure

The Global Data Structure defines the subset of NEMS variables used for intermodule communication and reporting. The variables consist of endogenous global variables shared among modules, such as prices, consumption, and macroeconomic information. The variables also include global reporting variables, as well as a subset of model control parameters and assumptions. The Global Data Structure excludes variables defined exclusively for use in a single module.

The variables in the Global Data Structure are defined and organized in a set of Fortran common blocks that designate groups of global variables. During NEMS execution, each module accesses its global input and output variables through these common blocks. Most modules also have other variables defined in common blocks for intra-module communication. However, such common blocks declared for a module's private use are not considered a part of the global data structure.

The common block structure designed to store the NEMS Global Data Structure is displayed in Table 3. The specific elements of the common block structure are defined in the "include" files containing declarations for variables. In addition, a data dictionary for the Global Data Structure includes definitions for each variable. The data dictionary is a text format input file to the NEMS data management routine, FILER. Generally, several common blocks can be found in the Global Data Structure for each NEMS module with the following types of information:

- The module's outputs used by other NEMS modules, exclusive of end-use consumption and prices. Most of these common blocks are named so as to indicate the associated module, followed by a suffix "OUT."

- The module's outputs used only for reports (for some modules only). These common blocks are named with a suffix "REP."

Table 3. Common Blocks in the NEMS Global Data Structure		
Module Creator	**Common Block Names**	**Description**
Integrating, multiple contributors, or exogenous	QBLK MPBLK MXQBLK MXPBLK QSBLK NCNTRL EMISSION CAPEXP COGEN CONVFACT HEMREP COALEMM	End-Use Sector Quantities (See Table 4) End-Use Sector Prices (See Table 5) Expected Quantities for foresight Expected Prices for foresight SEDS Historical data corresponding to QBLK Control Variables Pollution Emissions and related results Capital Expenditures for Energy Equipment Cogeneration Global conversion factors Household Expenditures report variables Variables exchanged between the Coal Market Module and Electricity
Integrating, Emission Policy Submodule	EMABLK AMPBLK ANGTDM ACOALPRC CONVERGE EMEBLK EPMBANK	Price adjustments for carbon dioxide fees, if any Copies of MPBLK, NGTDMOUT, COALOUT, COALPRC with prices adjusted by any carbon dioxide fees Convergence variable data and reporting summary Carbon dioxide emissions factors by fuel/sector Parameters for an emissions constraint banking option
Macroeconomic	MACOUT MCDETAIL	Output variables Reporting Variables
Residential	RESDREP RSCON RSEFF	Reporting variables Energy by end use Efficiency by end use
Commercial	COMPARAM COMOUT COMMREP BLDGLRN	Control parameters, assumptions Output variables Reporting Variables Cumulative shipments of distributed generation technologies for “learning” curves

Table 3. Common Blocks in the NEMS Global Data Structure (continued)		
Module Creator	**Common Block Names**	**Description**
Transportation	TRANREP	Reporting Variables
Industrial	INDOUT INDREP INDREP2 BIFURC	Natural Gas and LPG Feedstocks Reporting Variables Reporting Variables Energy by fuel/region classified by covered and uncovered industry groups for emission cap and trade analysis
Electricity	UEFPOUT EFPOUT UEFDOUT UDATOUT UECPOUT DSMTFEFP ULDSMOUT UETTOUT EUSPRC	Electricity pricing outputs Electricity pricing outputs Fuel-dispatch outputs Electricity central data outputs Capacity planning outputs Demand side management /electricity pricing variables Load and demand side management variables Electricity trade outputs Electricity prices for end uses by sector
Renewable	WRENEW	Output variables
Coal	COALOUT COALREP COALPRC USO2GRP	Output variables Reporting variables Coal prices to utilities Coal output by emission categories for ECP interface
Petroleum	PMMOUT PMMRPT	Output variables Reporting variables
Oil & Gas Supply	OGSMOUT	Output variables
Natural Gas T & D	NGTDMOUT NGTDMREP NGRPT	Output variables Reporting variables Supplementary reporting variables
International	INTOUT	Output variables

In addition, a group of COMMON blocks called the Energy Market Data, hold data that are created by various modules. These are:

QBLK	Sectoral end-use quantities
MPBLK	Sectoral end-use prices (prices omitting any carbon dioxide fees if effect)
AMPBLK	Sectoral end-use prices (prices adjusted with any carbon dioxide fees in effect)
MXQBLK	Expectations for end-use quantities
MXPBLK	Expectations for end-use prices

Energy Market Data Representation

The Energy Market Data define the energy consumption product and price details that are used for market definition in NEMS. These variables are the principal values subject to convergence testing in the integrating algorithm. The Energy Market Data are just part of the NEMS Global Data Structure. The quantity and price structure does not attempt to represent all energy flows, but instead focuses on the primary variables necessary for the design of the NEMS equilibrating methodology. In addition, the Energy Market Data structure defines the end-use energy classification for the NEMS energy balance.

Table 4 presents a list of the consumption products in a grid depicting the sectoral detail. Each item in the grid represents the named variable in NEMS. The sectoral definitions include the four end-use sectors and three conversion sectors. The sectoral and fuel consumption detail is defined to meet several objectives, including energy accounting coverage and consistency, the structure of component modules, and the requirements for inter-module communications. Elements of this design requiring clarification are as follows:

- The electricity sector includes fuel used by electric utilities and other firms whose primary business is to produce power. The industrial and commercial sectors include fuel used for on-site electricity generation, primarily in cogeneration applications. This breakout is consistent with the coverage of the Electricity Market Module and the demand modules.

- Fuel consumption in the refinery sector is broken out from the industrial sector for inter-module communication requirements. The Petroleum Market Module determines fuel use by the refinery sector. This information is passed to Industrial Demand Module, where fuel consumption for refining is added to other industrial fuel use. Thus, the industrial energy consumption product demands as defined in Table 4 *include* refinery consumption.

Table 5 presents the prices in the Energy Market Data structure. In general, the energy prices match the corresponding consumption quantities. The exceptions are as follows:

- Detailed refinery sector prices are omitted even though refinery fuel consumption products are defined. This is because there is no corresponding need to break out refinery sector prices from the rest of the industrial sector. The industrial fuel prices are the delivered prices to industrial fuel consumers, including refineries. As a result, the industrial sector prices match the coverage of the corresponding industrial consumption products.

- Prices for some industrial petroleum categories are combined in the industrial other petroleum category to eliminate unnecessary detail. That is, the industrial other petroleum price is defined as the average price of three consumption categories: still gas, petroleum coke, and other petroleum. The other petroleum price is not needed by any NEMS module but is required for reporting purposes to determine the average price of all petroleum products.

- Delivered prices for renewable energy categories are left undefined because there are no meaningful market prices for them. For example, there are no delivered prices associated with hydroelectric, geothermal, wind, solar thermal, and photovoltaic energy sources. In the case of biomass, the diverse nature of the product and the lack of organized market structures preclude the definition of a delivered price. Thus, there is no need to define end-use prices for renewables.

Table 4 and **Table 5** also define the variable names for the NEMS consumption products and end-use prices along with the two-character product code mnemonic for each product. Each array is a two-dimensional, floating point array. The first dimension represents the nine Census divisions, with a 10th position reserved for possible breakout of California and the 11th position reserved for the National total. The second dimension represents 31 years from 1990 to 2025. Quantities are stored in trillions of Btu. Prices are stored in 1987 dollars per million Btu, as deflated by the implicit GDP price deflator.

A related part of the Energy Market Data structure comprises the variables to hold energy market expectations. The Integrating Module maintains a separate set of arrays to store consumption and price expectations. The expectations arrays are updated according to the foresight options under consideration. The expectations arrays are defined like the standard energy market arrays, each with an additional leading character, X. Not all energy product detail is duplicated.

Table 4. Energy Market Data Consumption Product Arrays

Description	End-Use Sectors				Conversion Sectors			Totals
	Resd. (Q_RS)	**Comm. (Q_CM)**	**Tran (Q_TR)**	**Indus. (Q_IN)**	**Refin. (Q_RF)**	**Elect. (Q_EL)**	**Synth. (Q_SY)**	**All (Q_AS)**
Purchased Electricity, Peak	QEPRS	QEPCM	QEPTR	QEPIN	QEPRF			QEPAS
Purchased Electricity, Off-Peak	QENRS	QENCM	QENTR	QENIN	QENRF			QENAS
Purchased Electricity (total)	QELRS	QELCM	QELTR	QELIN	QELRF			QELAS
Natural Gas, Firm	QGFRS	QGFCM	QGFTR	QGFIN	QGFRF	QGFEL		QGFAS
Natural Gas, Interrupt.	QGIRS	QGICM	QGITR	QGIIN	QGIRF	QGIEL		QGIAS
Natural Gas (total)	QNGRS	QNGCM	QNGTR	QNGIN	QNGRF	QNGEL		QNGAS
Natural Gas, Pipeline Fuel			QGPTR					
Lease and Plant Fuel				QLPIN				
Steam Coal	QCLRS			QCLIN	QCLRF	QCLEL	QCLSN	QCLAS
Metallurgical Coal				QMCIN				
Motor Gasoline		QMGCM	QMGTR	QMGIN				QMGAS
Jet Fuel			QJFTR					
Distillate	QDSRS	QDSCM	QDSTR	QDSIN	QDSRF	QDSEL		QDSAS
Kerosene	QKSRS	QKSCM		QKSIN				QKSAS
Liquid Petroleum Gas	QLGRS	QLGCM	QLGTR	QLGIN	QLGRF			QLGAS
Residual Fuel, Low Sulfur		QRLCM	QRLTR	QRLIN	QRLRF	QRLEL		QRLAS
Residual Fuel, High Sulfur			QRHTR			QRHEL		QRHAS
Residual Fuel (total)		QRSCM	QRSTR	QRSIN	QRSRF	QRSEL		QRSAS
Petrochemical Feedstocks				QPFIN				
Still Gas				QSGIN	QSGRF			
Petroleum Coke				QPCIN	QPCRF	QPCEL		QPCAS
Asphalt and Road Oil				QASIN				
Other Petroleum			QOTTR	QOTIN	QOTRF			QOTAS
Total Petroleum	QTPRS	QTPCM	QTPTR	QTPIN	QTPRF	QTPEL		QTPAS
Methanol			QMETR					
Ethanol			QETTR					
Liquid Hydrogen			QHYTR					
Uranium						QUREL		
Hydroelectric				QHOIN		QHOEL		QHOAS
Geothermal				QGEIN		QGEEL		QGEAS
Biomass	QBMRS	QBMCM		QBMIN	QBMRF	QBMEL	QBMSN	QBMAS
Municipal Solid Waste				QMSIN		QMSEL		QMSAS
Solar Thermal	QSTRS	QSTCM		QSTIN		QSTEL		QSTAS
Photovoltaic	QPVRS	QPVCM		QPVIN		QPVEL		QPVAS
Wind				QWIIN		QWIEL		QWIAS
Total Renewable	QTRRS	QTRCM	QTRTR	QTRIN		QTREL	QTRSN	QTRAS
Net Electricity Imports						QEIEL		
Net Coal Coke Imports				QCIIN				
Total Sectoral Consumption	QTSRS	QTSCM	QTSTR	QTSIN	QTSRF	QTSEL	QTSSN	QTSAS

Table 5. Energy Market Data Price Product Arrays

Description	Resd. (P_RS)	Comm. (P_CM)	Tran (P_TR)	Indus. (P_IN)	Elect. (P_EL)	All (P_AS)
Purchased Electricity, Peak	PEPRS	PEPCM	PEPTR	PEPIN		PEPAS
Purchased Electricity, Off-Peak	PENRS	PENCM	PENTR	PENIN		PENAS
Purchased Electricity (average)	PELRS	PELCM	PELTR	PELIN		PELAS
Natural Gas, Firm	PGFRS	PGFCM	PGFTR	PGFIN	PGFEL	PGFAS
Natural Gas, Interruptible	PGIRS	PGICM	PGITR	PGIIN	PGIEL	PGIAS
Natural Gas (average)	PNGRS	PNGCM	PNGTR	PNGIN	PNGEL	PNGAS
Natural Gas, Pipeline Fuel			PGPTR			
Lease and Plant Fuel				PLPIN		
Steam Coal	PCLRS	PCLCM		PCLIN	PCLEL	PCLAS
Metallurgical Coal				PMCIN		
Motor Gasoline		PMGCM	PMGTR	PMGIN		PMGAS
Jet Fuel			PJFTR			
Distillate	PDSRS	PDSCM	PDSTR	PDSIN	PDSEL	PDSAS
Kerosene	PKSRS	PKSCM		PKSIN		PKSAS
Liquid Petroleum Gas	PLGRS	PLGCM	PLGTR	PLGIN		PLGAS
Residual Fuel, Low Sulfur		PRLCM	PRLTR	PRLIN	PRLEL	PRLAS
Residual Fuel, High Sulfur			PRHTR		PRHEL	PRHAS
Residual Fuel (average)		PRSCM	PRSTR	PRSIN	PRSEL	PRSAS
Petrochemical Feedstocks				PPFIN		
Asphalt and Road Oil				PASIN		
Other Petroleum			POTTR	POTIN		POTAS
Petroleum(average)	PTPRS	PTPCM	PTPTR	PTPIN	PTPEL	PTPAS
Methanol			PMETR			
Ethanol			PETTR			
Liquid Hydrogen			PHYTR			
Uranium					PUREL	

Other Variables in the Global Data Structure

In addition to Energy Market Data, the Global Data Structure includes the following information:

Model Control Variables
Key parameters and Assumptions for each of the NEMS modules
Macroeconomic variables, including energy demand drivers such as population
Energy demand characteristics, including demand side management savings
Energy production, conversion, and transportation activities
International energy flows
Emissions
Renewable energy information
Other data for inclusion in central report writing programs

These categories of data are those items necessary for inter-module communications and centralized report writing. There are also other common blocks intended for communicating data within the subroutines of a module, but not between modules. This latter group of common data is not included in the NEMS Global Data Structure.

Restart File

At the beginning of a run, the Integrating Module reads initial values for all data in the Global Data Structure from a user-specifiable version of a special file, called the Restart file. The Restart file contains a starting point for the scenario currently under consideration, consisting of results from a prior simulation. During the run, much of this data is updated and changed. For example, alternative values for key module parameters and input assumptions, read separately from the user interface file or other sources, override the values stored in the Restart file. At the end of the run, a new Restart file is created with all the data from the run. The file is available for future runs, as well as to link with reporting and database management routines.

This feature promotes modularity by supplying values for all shared variables, regardless of whether the module that creates them is active in the run. Prices, quantities demanded or supplied, and other variables normally generated by a module that is switched off for the current run are provided instead by the Restart file.

A database subroutine called FILER is used to store and retrieve the NEMS Global Data Structure as represented in the NEMS restart file. The global data is structured into groups of variables known as "common blocks." The FILER routine moves data between common block memory and disk storage. The NEMS modules may access data from, and write results to the common block variables once the data is loaded into memory. The basic capabilities of FILER are:

- To load data from a file into a standard NEMS common block; and
- To write data from a standard NEMS common block to a file.

This capability is constructed such that files created by FILER (restart files) can also be read by FILER. In addition, FILER can be used to extract subsets of data and create text files or

spreadsheets. It can also be used to initialize new global variables with starting values. Generally, FILER is not used for input of most exogenous data in NEMS. The procedure incorporates a data dictionary to define the variables in the Global Data Structure. User access to the FILER program is available outside NEMS through the NEMS script command, TFILER.

Reporting Features

NEMS has a separate tabular report writing program named "Ftab." Ftab is programmed to produce some 130 tables, many of which are designed to be published in the appendices of the *Annual Energy Outlook,* while others are compiled primarily for debugging or graphics applications. Ftab uses the NEMS Restart file as its primary data source and is capable of preparing tables comparing up to seven different NEMS runs by reading each run's Restart file. By default, Ftab generates printable text-format tables. It can also generate the tables in spreadsheet ("wk1") format, as well as in a specially formatted file called the ".ran" file.

The Ftab ".ran" file contains all of the information for all of the tables capable of being generated. The ".ran" file is used as a database of sorts for two graphics programs that can generate line graphs for any row of Ftab's tabular output. One of these programs is an interactive run review program known as "Graf2000." Graf2000 can present any data from the Ftab reports graphically and provides a number of diagnostic capabilities to analyze run results across scenarios. The other program is called "Fgraph" and can produce color line graphs, up to 20 per page, for printing or inclusion in reports.

4. Integrating Module Solution Methodology

The Integrating Module controls the NEMS solution algorithm, executing the NEMS component modules iteratively in an attempt to achieve an energy market equilibrium each projection year. Using the Energy Market Data portions of the NEMS Global Data Structure as its inputs, the Integrating Module tests whether convergence has occurred, and optionally adjusts the solution values to aid the convergence process. The Integrating Module also manages the storage of global data and the access to input and output files. Finally, the integrating module includes an emission policy submodule to calculate carbon dioxide emissions and implement some emissions control options that cut across all of NEMS.

Solution Algorithm

The modules in NEMS represent the demand, supply, and conversion segments of the energy market, as well as modules to represent the economy as a whole and international oil market feedbacks. In effect, these modules can be thought of as representing a set of energy supply and demand curves. That is, the supply and conversion modules determine prices and sources of supply, given the quantity of fuel demanded. The demand and conversion models determine the fuel demands, given the prices of those fuels. The solution algorithm attempts to determine a vector of fuel prices and quantities so that supply and demand curves in all fuel markets equilibrate. That is, a solution occurs when energy demands and prices, along with the macroeconomic variables, reach stable, convergent values.

To reach such a solution, the integrating module is essentially solving a set of simultaneous equations implied by the supply, demand, and conversion modules. The approach used is an application of the Gauss-Seidel algorithm designed to solve a set of simultaneous, nonlinear equations. In effect, the approach partitions the equations and variables into subsets. For NEMS, the subsets consist of predefined fuel supply, energy conversion, and sectoral demand modules. Each subset of equations is solved keeping the other variables constant at their trial values and ignoring the effects of current variables on equations in other subsets. The process is repeated for each subset, updating the trial values for each variable from the prior solution.

More formally, for a stylized NEMS, the nonlinear system of equations could be represented by

$$x_i = g_i(x) \quad \text{for} \quad i = 1, ..., n \tag{4}$$

having the market clearing or equilibrium solution vector

$$x = (x_1, ..., x_n).$$

A trial solution for iteration k for a certain year is denoted by x^k, where

$$x^k = (x_1^k, ..., x_n^k).$$

Each $g_i(x)$ uses one or more of the elements of the trial solution vector x^k, excluding its own solution, x_i^k.

Following a trial solution from iteration *k-1*, the solution for x_i in iteration *k* updates the solution estimate to

$$x = (x_1^k, x_2^k, ..., x_{i-1}^k, x_i^k, x_{i+1}^{k-1}, ..., x_n^{k-1}).$$

The updating process continues until an iteration-*k* estimate is derived for all groups of x_j.

At the end of iteration *k*, the values of variables are compared to the values from iteration *k-1*. A final solution, x^k, has been achieved if, after all modules have been executed, the absolute values of the proportional changes in the x_i remain smaller than a specified tolerance, ϵ :

$$\left| \frac{x_i^k - x_i^{k-1}}{(x_i^k + x_i^{k-1})/2} \right| < \epsilon$$

for $i = 1, ..., n$. Values of ϵ can be chosen on a variable-specific basis. Defaults are in the range of 5 percent for the Census division variables, less for the national macroeconomic variables.

After the convergence criteria have been met, another iteration is performed to test whether the solution is stable and to allow the modules to perform final processing for the year. As a result, the the final converged solution vector for the year is x^{k+1}.

A procedure referred to as "relaxation" is used to control the equilibration process and aid in resolving some convergence problems. If the relaxation option is selected, changes in values of convergence variables between iterations are dampened by a user-specified factor. The selection of appropriate relaxation parameters may speed convergence and lead to a more stable and robust solution process. The relaxation *assignment statement* is of the form:

$$x_i^k = x_i^{k-1} + r_i^k (x_i^{k-1} - x_i^k)$$

where r^k_i = relaxation factor for a convergence variable i for iteration k. Note that the specification of relaxation factors is variable-specific and iteration specific. The capability to specify varying relaxation fractions, depending on the iteration number, is available as an option. This feature is used to allow greater dampening after the first few iterations. Convergence parameters, including the tolerances and relaxation fractions for each variable, are specified through the input file **mncnvrg.txt**.

To handle cases where the procedure does not converge on a solution or does not achieve the specified tolerance, a limit on the number of iterations terminates the algorithm for the current year. In such cases, the model performs the additional iteration mentioned in the previous paragraph, reports the convergence status with a list of the variables failing to converge, and then proceeds to the next projection year. The final solution for the year is therefore the result of one iteration beyond the non-converged trial solution.

The equations are partitioned in the fuel supply and sectoral demand modules, with the solution variables (x_i) consisting primarily of quantities and prices of fuels by region and consuming sector. To illustrate the regional and sectoral detail, these variables are redefined as follows:

$P^{k}_{f,s,r,y}$ = Energy product price (current iteration)

$P^{k-1}_{f,s,r,y}$ = Energy product price (previous iteration)

$Q^{k}_{f,s,r,y}$ = Energy product quantity consumed (current iteration)

$Q^{k-1}_{f,s,r,y}$ = Energy product quantity consumed (previous iteration)

indices:

f fuel/energy product (natural gas, coal, petroleum products, electricity, etc.)

s consuming sector (residential, commercial, industrial, transportation, electric generation, refinery)

r region (nine Census divisions)

y year

Several modules simulate planning decisions to acquire additional capacity that will be required in future years. These include the Electricity Capacity Expansion (ECP) submodule, the pipeline capacity decisions for natural gas, and the refinery capacity decisions in the Petroleum Market Module.

To simulate such decisions, information on future demands and prices must be assumed. While each module solves one year at a time, their simulations of planning activities involve an extrapolation of energy market conditions. Those modules making new capacity construction decisions apply an assumption about foresight in their expectations of future energy prices and quantities. In NEMS, a set of price and quantity variables is defined to store expectations:

$XP_{f,s,r,\hat{y}}$ = Expected prices of energy products beyond the current forecast year (for $\hat{y} > y$)

$XQ_{f,s,r,\hat{y}}$ = Expected consumption of energy products beyond the current forecast year

The foresight mode determines how the expectation variables are to be calculated: under myopic foresight, the expected values are simply held constant at their current trial values. For adaptive expectations, the Integrating Module calculates minor extrapolations of present-year conditions. Foresight is therefore always calculated by looking forward to the consequences of conditions in the present iteration year, not by attempting to reach some end state determined *a priori*. The treatment of expectations is discussed in greater detail under **Expected Value Foresight**.

Additional variables, representing such values as macroeconomic activity, world oil prices and trade, and emissions, may be added to the convergence algorithm, but are omitted here for clarity. In terms of the energy market interactions, the sectoral demand models estimate current-year energy demands $Q_{f,s,r,y}$ and energy-related capital stock additions as functions of current and expected energy prices.

The supply models estimate end-use prices $P_{f,s,r,y}$ and capacity additions as functions of current and expected energy demands. The conversion modules (electricity and refinery) are viewed primarily as supply components, but they are both consumers of primary energy and suppliers of energy products.

For some model components, a rational expectations, or "perfect foresight" approach is used implicitly or explicitly. Where these approaches are used, expectations for future years are defined by the realized solution values for these years in a prior run. This approach is used, for example, for the energy demand expectations used for capacity planning of energy infrastructure (pipelines and refineries). The other area is for market-based approaches to limit carbon dioxide emissions, where knowledge of future emission taxes or permit prices is assumed to be known in advance.

To solve NEMS given such modeling structures, an added dimension, or super loop, to the convergence procedure was developed. This extension to the solution algorithm involves the iterative execution of complete NEMS runs (i.e, single passes through all of the projection years), or cycles, in much the same way as the convergence iterations are executed when solving for a single year. Solution values for successive cycles are compared to determine if expected values (from the prior cycle) and realized values (from the current cycle) converge. This procedure has been implemented through a run-cycling option, controlled by a "inter-cycle convergence check." Operationally, this involves a Korn shell script (or batch command process) that repeatedly executes NEMS, automatically "cycling" the output restart file for one run and using it as the input restart file for the next run. A program (outside of NEMS, per se), known as "intercv" performs the inter-cycle convergence checks and scores the degree of intercycle convergence using a qualitative metric (discussed more below). It is typical, then, to run NEMS in sets of 4-to-10 cycles to achieve inter-cycle convergence.

Another reason for introducing this run-cycling loop to NEMS runs was the need to implement a direct link to an external macroeconomic model–the Global-Insight Model (starting with AEO2003). The Global-Insight model, written using the Eviews modeling software, could not be easily integrated into NEMS to execute for a single projection year, since the native NEMS modules are written in Fortran. As a result, the NEMS macroeconomic model (from Global-Insight), is invoked (as a child process) from NEMS once each cycle, using as its NEMS input the results of a prior cycle. The Fortran module in NEMS that serves as the macroeconomic module now performs primarily data transfer operations between the Global-Insight Macroeconomic module and NEMS, and invokes the Global-Insight model through a system call that executes an Eviews command process.

Solution Algorithm–Detailed Flow Outline

Figure 3 presents an outline of the Integrating Module algorithm to illustrate the logical organization and flow.[2] The outline depicts the three nested levels of looping to implement the convergence

[2]Not reflected is the run-cycling that is used to resolve perfect foresight expectations and to integrate the external Global Insight model with NEMS.

Figure 3. NEMS Integrating Module Outline

I. Read Run Options
II. Read Global Data from a Prior Run via the run's RESTART file
III. **Year Loop -- "DO CURIYR = FIRSYR, LASTYR"** (e.g, Year Index CURIYR goes from 1 to 31 usually, representing calendar years 1990 to 2025; however, most models bypass history years prior to their base year.)

A. Set Maximum Convergence Iterations (MAXITR) For Current Year (CURIYR)
MAXITR = MAXITRJR (History Years)
MAXITR = MAXITRSR (Forecast Years)

B. **Convergence Iteration Loop -- "While CURITR<=MAXITR & CTEST=0"** (i.e, while Iteration Count CURITR is less than or equal to the maximum, MAXITR, and the global convergence test has failed)

1. Store the convergence-variable values for post-run convergence checks and reporting
2. **Model Loop -- Do IMODEL = 1, NMODEL** (model number goes from 1 to 12). Usual model execution order is:

1. International	5. Commercial	9. OGSM
2. Macroeconomic	6. Industrial	10. NGTDM
3. Coal	7. Transportation	11. Refinery (PMM)
4. Residential	8. Electricity	12. Renewables

Is Model Switched On? If Yes:
- i Update expectation variables
- ii Replace "previous-values" with "current values" to prepare for model-specific convergence check
- iii Call Model's main subroutine (e.g., CALL NGMAIN for module NGTDM)
- iv Check convergence. Do "current values" differ from "previous values" by more than the allowed tolerance? If yes: Assign 0 to CNVTEST(imodel); else assign 1.
- v Relaxation: if option is on (IRELAX=1) and this model is not converged (CNVTST(imodel)=0), then relax convergence variables by setting values between current and previous values based on the relaxation fraction
- vi Apply carbon price to adjusted end-use energy prices (if carbon-pricing applicable)

3. Run Emissions Module: Calculate carbon emissions; set new carbon price if applicable
4. Did All Modules Pass Convergence Test? (CNVTST(IMODEL)=1 for IMODEL= 1 to 12) If so, set CTEST to 1 so as to trigger exit from Convergence/Iteration while-loop

C. **Final Convergence Loop:** Run all models another time to make sure solution remains converged and to allow models to calculate summary results for reports.

1. **Model Loop -- Do IMODEL = 1, NMODEL** (see details above)
2. Run Emissions Policy Submodule

D. Optional Reporting Loop
1. Run those models that have reporting subroutines that store/write results without any recalculation.
2. On last year only: call Household Expenditure Model if residential model turned on.

IV. Write out Global Data to new RESTART File

algorithm within a single run or cycle. Looping over the projection years takes place in the outermost of these loops (see **Section III** in the outline). The objective of the algorithm is to execute the system of component modules repeatedly until convergence is reached in a given year and the solution remains converged for a subsequent iteration. This is reflected in the convergence iteration loop (see **Section III.B** in the outline).[3]

The solution procedure for one convergence iteration involves looping over the twelve component modules (see **Section III.B.2**). If a module is switched on, six steps are executed. (See items **III.B.2.i to III.B.2.vi**). The component modules include the International Energy Activity Module, the Macroeconomic Activity Module, the four sectoral demand models, the conversion models, and the supply models. The order of execution of the modules was designed to be flexible; in practice, however, the execution sequence has remained as indicated in the outline.

Before a module is executed, the current quantities and prices (denoted k) are stored as the previous iteration values (denoted k-1) in preparation for the post-module convergence check (outline **Section III.B.2.ii**):

$$Q^{k-1}_{f,s,r,y} = Q^{k}_{f,s,r,y}$$
$$P^{k-1}_{f,s,r,y} = P^{k}_{f,s,r,y}$$

The post-module convergence test (see outline **Section III.B.2.v**) identifies the specific modules whose output variables are not converged. While a single convergence test could be made after all modules were executed, these intervening, or post-module checks are used to determine whether the relaxation algorithm for the modules' output variables is performed. Once all modules are finished, an additional global convergence check exams the test results for all of the individual modules (outline **Section III.B.4**). If this global convergence test passes, the trial solution is considered converged pending a final iteration to test stability.

Separate convergence checks are made for prices and quantities, consisting of a comparison of the absolute value of the percent changes to an assumed tolerance, ϵ, as follows:

$$\left| \frac{Q^{k}_{f,s,r,y} - Q^{k-1}_{f,s,r,y}}{(Q^{k}_{f,s,r,y} + Q^{k-1}_{f,s,r,y}) / 2} \right| < \epsilon$$

$$\left| \frac{P^{k}_{f,s,r,y} - P^{k-1}_{f,s,r,y}}{(P^{k}_{f,s,r,y} + P^{k-1}_{f,s,r,y}) / 2} \right| < \epsilon$$

[3] For simplicity, the outline omits a convergence stability "while" loop that continues processing until the solution remains converged for two iterations or the maximum iterations is reached.

In the convergence tests, the denominators use an average to avoid convergence difficulties if either the starting value or a trial solution value is equal to zero. To avoid unnecessary iterations for changes in insignificant values, the quantity convergence check is ignored for changes less than a user-specified minimum level.

If the post-module convergence test fails, an optional relaxation of the variables is performed (outline **Section III.B.v**), meaning that the variables are reset part way between the current and previous iteration's values.

The convergence iteration loop (outline **Section III.B**) is repeated until convergence is achieved or until the maximum number of iterations is reached.[4] When one of these two conditions occurs, an additional iteration, referred to as the ''Final Convergence and Reporting Loop'' is executed (outline **Section III.C**). This has several purposes. First, it is used to test whether a solution meeting the convergence criteria is maintained on two successive iterations. If so, there is a greater likelihood that the solution is a stable, or equilibrium, solution. Second, it provides a signal for each module to summarize final results and write out reporting data out to disk. If the variables fail to converge on the Final Convergence and Reporting Loop, the convergence algorithm continues. In such cases, the model may converge on a subsequent iteration, thus triggering the Final Convergence and Reporting Loop a second time. Because of this, an optional reporting-only loop was added (see end of outline **Section III.D**) to call modules that have independent reporting routines that do not require model re-execution. This also allows modules to access the final solution variables for other modules to use in their reports. In addition, a reporting module known as the Household Expenditure Model is executed (on the final year only), to tally energy expenditures.

Whenever convergence fails to occur within the user-specified number of iterations, the model completes the Final Convergence and Reporting Loop, accepts the resulting solution as the final solution, and proceeds to the next projection year. An nonconverged final solution should be to assess its validity.

Several information sources are generated to aid in convergence analysis. The NEMS console output, directed to a file "**nohup.out**," constitutes an execution log for the run. This log records the progress of the model and the convergence status after execution of each module. Also reported are the names of any variables failing to converge, along with their values on the current and previous iterations, and their fractional changes. If the values of any tested variables fail to converge within the specified number of iterations, a message is written to the execution log, and execution continues with the next year. During or after a model run, the user may review the execution log to examine the convergence status.

A summary log (named "**maindbug**") is written to show the convergence status for each projection year, along with up to 25 variables that failed to converge. In addition, database of variable values

[4]Generally, the highest setting used for this limit on iterations (MAXITR) is 9. With an additional iteration allowed for the final iteration and reporting loop, up to 10 iterations are performed. Since many convergence failures involve oscillations between two values, a even number of iterations ends on roughly the same trial solution values on each cycle. To more accurately reflect this type of convergence problem in the inter-cycle convergence tests, "MAXITR+1" should be an odd number, **so MAXITR should be set by the user as an even number**.

by iteration is generated optionally in a direct-access, binary format. That file (**mnpqit.daf**) can be accessed through a utiltity program "**readda**" that will output a subset of convergence variables in a text format.

When a nonconvergent situation arises, the results of the run must be viewed with caution. An assessment should be made as to the type of convergence problem and its effect on the results. A failure to converge may indicate a programming error, or it may be an accurate reflection of the modeling configuration. Generally, convergence problems must be evaluated on a case-by-case basis.

Similarly, the state of inter-cycle convergence must also be assessed to insure that expectation and realized values have converged, particularly for runs with carbon dioxide and mercury emissions constraints. A focus of this type of convergence analysis is typically on the generating capacity additions projected by the Electricity Market Module and the resulting impacts on the rest of the model.

Convergence Metric

Often, it is difficult to judge how important the detailed, regional convergence failures are, as they are implemented on a pass-fail basis. That is, an all-or-nothing convergence test does not give one a sense of how poorly or how well the run is converged. A qualitative metric for convergence is presented in a NEMS output report (Ftab table 150) as an aid in evaluating the degree of convergence. The metric, known as the convergence test Grade Point Average (GPA) scores the convergence tests on a 4-point, academic-style grading scale. With this idea, a run's convergence status is revealed with a single number associated with a sense of quality: a 4.0 GPA is a straight-A average, for example. A run with a convergence GPA of 2.0 passes with a solid C, while a GPA of 1.0 gets a D: a poor, but passing, grade. This heuristic grading scale is derived using a weighted average of the absolute value of percentage differences in convergence variables, aggregated across sectors and regions. The convergence GPA is calculated as follows:

1) Group the convergence variables into five categories:

End-Use Sector Energy Consumption Quantities
Electric Power Energy Consumption Quantities
End-Use Sector Energy Prices
Electric Power Energy Price
Environmental Permits/Allowance Prices: Carbon dioxide, sulfur dioxide, and mercury

2) Compute deviations for convergence variables for each fuel, region, sector in year. Let

DEV(f,r,s,y) = Absolute value of deviation in a convergence variable: fuel f, region r, sector s, year y, where a deviation is one of the following:

a) Quantity deviation: absolute value of {the current quantity less the previous quantity}

b) Price deviation: absolute value of the current expenditure (i.e., price times quantity) less the previous expenditure (excluding any permit price adders)
c) Emission allowance price deviation: absolute value of the current allowance price less the previous allowance price.

PREV(r,s,y) = Previous value for a convergence variable: fuel f, region r, sector s, year y

3) Aggregate the deviations (DEV) across regions, fuels, and sectors in each of the five categories and express the deviations as percentage of the corresponding prior values (PREV). Let

AC(c,y) = the aggregated change (or deviation) for category c and year y, expressed as a percentage. That is:

$$AC(c,y) = \frac{\text{Sum over f, r, s of DEV(f,r,s,y)}}{\text{Sum over f, r, s of PREV(f,r,s,y)}} * 100.$$

4) Compute an composite score by averaging the aggregated changes (AC) of the 5 sections, using the following weights:

Category	Weight
End-Use Sector Energy Consumption Quantities	10
Electric Power Energy Consumption Quantities	10
End-Use Sector Energy Prices	10
Electric Power Energy Price	10
Environmental Permits	
Carbon dioxide (if applicable)	40
Sulfur dioxide	10
Mercury (if applicable)	10

5) Scale or grade the composite score into a grade point average (GPA), by interpolating the score from the following table:

Score (% basis)	Grade on 4-pt scale	Letter Grade
0.5	4.0	A
2.0	3.0	B
5.0	2.0	C
10.0	1.0	D
15+	0.01	F

The weights and the stringent grading scale tend to magnify the importance of common convergence problems. When applicable, the carbon dioxide price is a critical item for convergence since it affects the effective delivered prices of all fossil fuels, changing the absolute and relative prices of

natural gas, coal, and petroleum. The carbon dioxide price also greatly influences electric power capacity decisions and macroeconomic feedbacks, so stability in this price is essential for inter-cycle convergence. Therefore, the carbon dioxide price deviation is given a strong weight in the grading. Fuel demands and prices in the electric power are also given a relatively strong weight in the scoring. Flexibility in electric power fuel demands, the use of linear programs for plant dispatch and capacity choice, and complex interactions with the coal supply due to environmental constraints all tend to foster convergence difficulties in this sector. The capacity choices influenced by expectations are a primary source of inter-cycle convergence problems.

The cycling of NEMS runs is programmed to continued for a user-specified number of iterations or until the inter-cycle convergence objective has been met. The objective is based on the average of the three lowest (worst) yearly GPAs. If this average GPA is lower than the user-specified minimum, the cycling continues. Otherwise, the cycling stops.

Discontinuities and Convergence Problems in NEMS

The characterization of NEMS as a set of supply and demand curves provides a useful framework for discussing convergence properties. Though supply and demand curves are generally treated as continuous functions, various NEMS modules contain linear programs or their analogues that result in discontinuities. Such discontinuities cause significant problems in the solution process.

Several modules incorporate algorithms that yield these discontinuous results. For example, the international module outputs a set of crude oil supply curves and petroleum produce import supply curves as discrete step functions. The Petroleum Market Module, which includes these step curves in its linear program to represent refinery operations, solves for fuel prices and refinery fuel demands to minimize costs. This type of approach yields discontinuous petroleum pricing and fuel demands. The electricity fuel dispatch (EFD) model is also implemented as a linear program and contains discontinuities due to the discrete nature of the merit-order plant dispatch. The coal distribution model is also a linear program. Thus, each of these models introduces discontinuities into the NEMS solution process.

The effect on the solution process of having discontinuities can be seen by using step function demand curves with continuous supply curves. The same conclusions may be drawn as long as either or both of the supply and demand curves are step functions. Figures 4a and 4b depict the two ways in which the continuous supply curve and step demand curves can intersect.

In these figures the supply curve determines the price used in the demand curves, which then feed back a quantity. The solution path resulting from application of the Gauss-Seidel algorithm is delineated by arrows: a horizontal arrow shows the quantity response from the demand curve and a vertical arrow shows the price response from the supply curve.

Figure 4a. The Supply Curve Cuts Across the Horizontal Portion of the Demand Curve

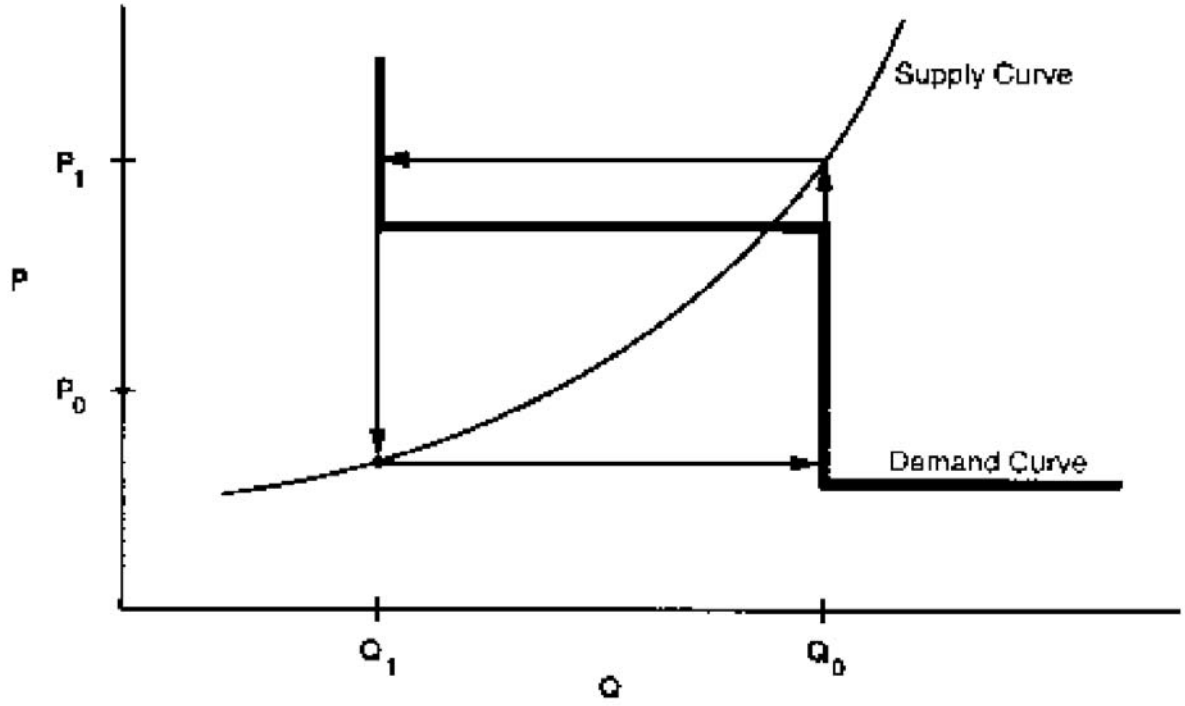
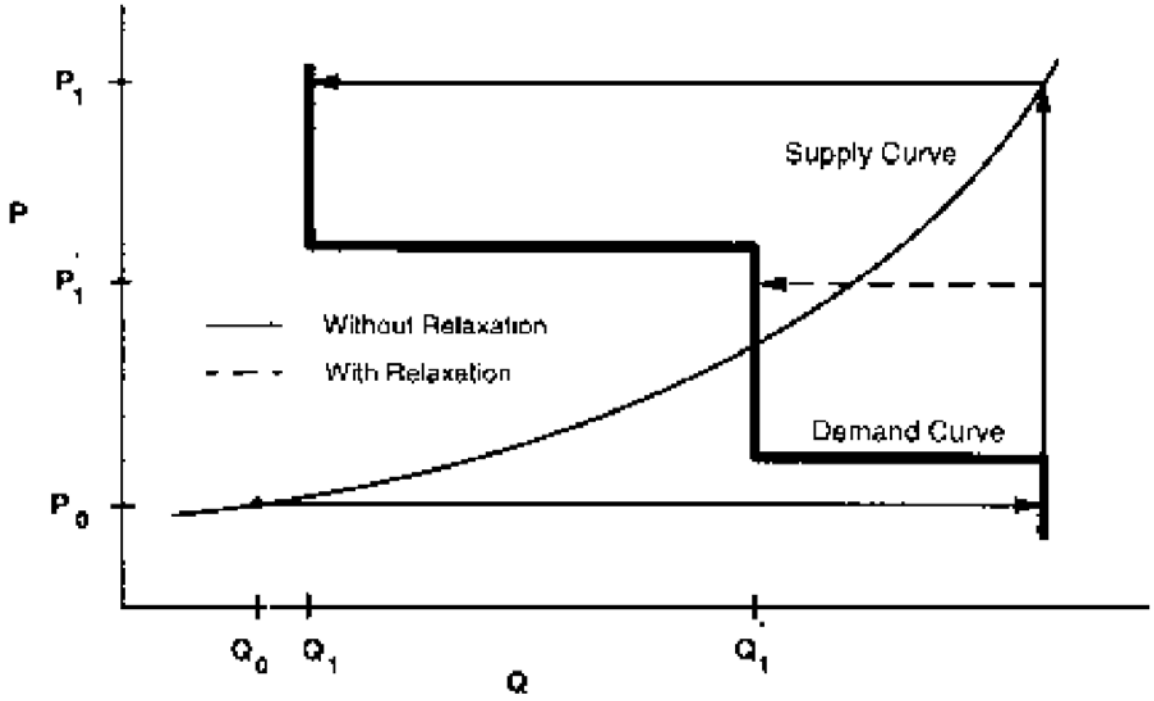


Figure 4b. The Supply Curve Cuts Across the Vertical Portion of the Demand Curve



When the supply curve intersects the horizontal portion of the demand curve, there is an oscillation in the solution between quantities Q_0 and Q_1 and prices P_0 and P_1 (Figure 4a). When the intersection of the supply and demand curves is on the vertical portion of the demand curve, one can achieve the equilibrium with the Gauss-Seidel algorithm using relaxation, even if the unrelaxed algorithm yields an oscillation in the solution (Figure 4b). In Figure 4a there is no *relaxation fraction, r,* for which convergence will occur. However, a value for *r* can be found so that the oscillation occurs around no more than two steps. Provided the steps are small enough to fall within the convergence tolerance, then relaxation can prevent oscillations between steps from being a convergence problem.

Integrated developmental testing of NEMS revealed a number of convergence problems. Factors leading to convergence problems were assessed and changes were made as needed to the individual NEMS modules. In a few cases, provisions to pass additional information between modules were required to develop stable convergence properties. Many of the convergence problems involved interactions between the Electricity Market Module (EMM) and the three supply modules providing it with fuel prices: the Natural Gas Transmission and Distribution Module (NGTDM), the Petroleum Market Module (PMM), and the Coal Market Module (CMM).

The Electricity Fuel Dispatch (EFD), a submodule of the EMM, determines what generating capacity should be running at a particular time to meet the demand for electricity. The type of capacity used (fossil fuel, nuclear, renewables) and the manner in which it is deployed (base load, intermediate load, or peak) determines the fuel demands for the EFD based on linear program that effectively simulates a merit-order plant dispatch. The EFD also simulates the capability of dual-fired plants to switch between natural gas and oil based on relative fuel prices and other operating costs. These modeling characteristics may result in discrete changes in the quantity of fuels required as relative prices change, often leading to convergence oscillations in the natural gas market as depicted in Figures 4a and 4b.

Merit order switching in the electricity market commonly occurred between natural gas and other fuels, between types of coal (graded by sulfur content), and sometimes between types of natural gas (competitive versus firm). Several techniques were used to reduce this effect, depending on the specific cause of the switch. These included incorporating demand curves in the PMM and NGTDM modules, implementing price relaxation in the integrating module, and transferring the calculations of sulfur allowance pricing and coal choices by sulfur content from the EMM to the coal market module.

With the exception of a generic price relaxation algorithm in the Integrating Module, these convergence problems were addressed through changes in the individual supply and conversion modules of NEMS. Two of these modules (Coal Market Module and the NGTDM) have been re-implemented in recent years, and the documentation of those modules should be consulted for current modeling details (see Appendix A for references).

Additional convergences issues have been encountered with the introduction of the multi-cycle convergence process and energy-related emissions policy constraints. As is discussed in a section on the Emissions Policy Submodule, NEMS can be run to meet an overall annual emission constraint. This option requires setting permit prices such that proposed emissions constraints would be realized. Electricity capacity expansion decisions are sensitive to expected permit prices. To

reflect such expectations a solution process was configured to solve for the entire emissions permit price path. This involves execution of multiple cycles of NEMS and an approach to setting emission permit prices at the start of each cycle based on a weighted average of the prior runs realized and expected permit prices.[5] The cycling is repeated until realized and expected permit prices converge.

Expected Value Foresight

Mid- and long-term energy forecasting involves assessing changes in energy-using capital stocks and choices among energy supply alternatives. This analysis requires simulation of such decisions as the selection of durable appliances, planning electricity-generating capacity additions, and building gas pipelines. The economic evaluation of these decisions requires energy demand and price expectations for life-cycle cost and capacity addition calculations. An objective in this aspect of the modeling is to simulate such decision making in the aggregate for predictive and analytical purposes, representing how players in the energy marketplace make long term planning decisions, rather than by deriving the theoretically optimal long-term expansion path. As a result, the formulation of foresight assumptions is open to alternative approaches based on observed industry practices.

NEMS could, in principle, approach the issue of foresight by prescribing a desirable end state for the energy marketplace, and calculating backwards in time to prescribe how best to arrive there. However, as a simulation, NEMS calculates foresight as an extrapolation of the present state of energy markets, subject to announced policies. Rather than determining how to arrive at the planned future, NEMS can evaluate whether present plans could result in the desired end state.

In reality, different methodologies for treating foresight are used in different sectors and supply areas, and alternate approaches to representing expectations may yield significantly different planning decisions. Consequently, treatment of foresight becomes an important modeling decision.

There is no one best approach to treating foresight. The National Research Council recommended that several options for modeling foresight be developed.[6] As a result, an objective in NEMS was to build the flexibility to support different approaches to foresight to allow for experimentation and future modeling changes. In addition, it is desirable to have the option to treat foresight consistently throughout the modeling system.

The purpose of dealing with foresight and expectations in the Integrating Module is to be able to represent different types of foresight consistently. At the same time the Integrating Module allows individual modules to handle foresight independently, should industry practice require different approaches. To achieve this flexibility, each NEMS module was to be constructed so that an on-off switch was examined to determine whether the module used the system-generated expectations. If

[5] Most of these cases were resolved by increasing the dampening (the weight of the prior solution's expectation guess via the model option "WGTGUESS"), but at the expense of longer run times and more cycles.

[6] National Research Council, *The National Energy Modeling System*, Washington D.C.: National Academy Press, 1992.

this central-control switch is turned on, the module uses system expectations; otherwise, the module uses expectations it generates for itself.

There are three options to generating expectations:

- The ''myopic expectations'' option is one in which expected prices for any forecast period are assumed to be constant in real dollar terms relative to the current period in which decisions are being made. Generally, this case applies only to expected prices because an assumption of constant energy demands would rarely be assumed.

- ''Adaptive expectations,'' also known as ''extrapolative expectations,'' is an approach that assumes planners extrapolate recent trends when making long-term decisions. For the system-generated expectations, this assumption about foresight is implemented by extrapolating the current projection year prices and quantities using the average annual growth over the previous few projection years. For example, the expectations generated in model year 2010 for use in 2011 would be determined from the growth over the last few model years (e.g., 2008 to 2010), with the number of years being a model option. For expectations generated within individual modules, more elaborate behavioral models, or adaptive expectations, are used.

- The ''perfect foresight'' approach is based on rational expectations theory. The approach generates an internally consistent scenario for which the formation of expectations is consistent with the projections realized in the model. In practice, perfect foresight describes the configuration and solution algorithm that achieves the convergence of expected values and realized solution values. A variation in the integrating algorithm was required to implement perfect foresight. This option involves the iterative cycling of NEMS runs, with each cycle being a complete pass over the entire projection period. The objective is to have expected values for variables and realized values converge between cycles, a state referred to as inter-cycle convergence, in addition to having convergence within the cycle for individual projection years, or intra-cycle convergence. As a result, it has become necessary to evaluate NEMS runs with respect to both inter-cycle convergence and intra-cycle convergence.

The Electricity Market Module (EMM) is heavily dependent on expectations techniques. The EMM requires fuel price expectations for natural gas, oil, and coal for use in its capacity planning submodule. The capacity planning submodule also requires expectations for electricity demand. In the past, algorithms to generate these expectations were implemented in the NEMS integrating model. In recent years, new approaches for electricity demand and coal price expectations have been implemented directly in the EMM model. At present, the oil and natural gas prices expectations for EMM are still implemented in the integrating module. The approaches are described below:

- Oil product price expectations are calculated from an external forecast of world oil prices, assuming a constant markup between the regional product price and the world oil price. In each forecast year, the assumed markup is derived from the prior forecast year:

$$P_{c+k} = (P_c - W_c) + W_{c+k} \quad \text{for } k=1,...,40$$

where P_c and W_c are the product price and the exogenous world oil price from the previous forecast year, and P_{c+k} and W_{c+k} are the prices in the expectation years.

- Delivered natural gas prices are derived from expected wellhead prices, assuming a constant markup between the delivered prices and the wellhead price. The wellhead price expectations are based on a nonlinear function which relates the expected wellhead gas price to cumulative domestic gas production. The equation is of the following form:

  $$P_k = A * Q_k^e + B \ ,$$

  where P is the wellhead price, Q is the cumulative production from 1991 to year "k", "e" is a user-specified parameter, and "A" and "B" are determined each year, as explained below.

  The approach was developed to have the following properties:

  — Prices should be upward sloping as a function of cumulative gas production.

  — The rate of change in wellhead prices is a function of the economical reserves that remain to be discovered and produced. The value of the parameter e determines the shape of the function.

  The approach assumes that at some point in the future a given target price, PF, results when cumulative gas production reaches a given level, QF. Thus, the target values PF and QF are assumed inputs to the approach. In the *Annual Energy Outlook 2004*, the assumed value of PF was $7.00/mcf (1998 dollars), corresponding to a cumulative production (QF) of 2000 tcf. For simplicity, the annual production is assumed to be constant at the prior year's level. The parameters of the price equation, A and B, are determined each projection year such that the price equation will intersect the future target point. That is:

  let D = Last year's gas production
  let PS = Last year's wellhead gas price
  let QS = Last year's cumulative gas production since 1991

  $A = (PF - PS) / (QF^e - QS^e)$
  $B = PF - A*QF^e$

  Extrapolate cumulative production for future years k= 1,...40:

  $$Q_k = Q_{k-1} + D$$

  Generate expected well-head prices:

  $$P_k = A*Q_k^e + B$$

For example, a calculation of price expectations generated in 2005 in a test run used the following values for variables above:

D	20.65	Gas production estimated for prior year, 2004, tcf
QS	264.30	Cumulative gas production, 1991 through 2004, tcf
PS	2.40	Gas price estimated for prior year, 2004, 1998 $/mcf
QF	2000.00	Cumulative gas production through some point in the future
PF	6.50	Gas price when QF is reached
e	0.70	Exponent on cumulative production
Q_{2005}	285.00	Cumulative gas production, 2005, tcf

Parameters A and B were calculated as 0.265 and 1.082, respectively. Thus, the expected price equation for 2005-on in this example becomes:

$$P_k = .265(Q_k^{0.70)} + 1.082$$

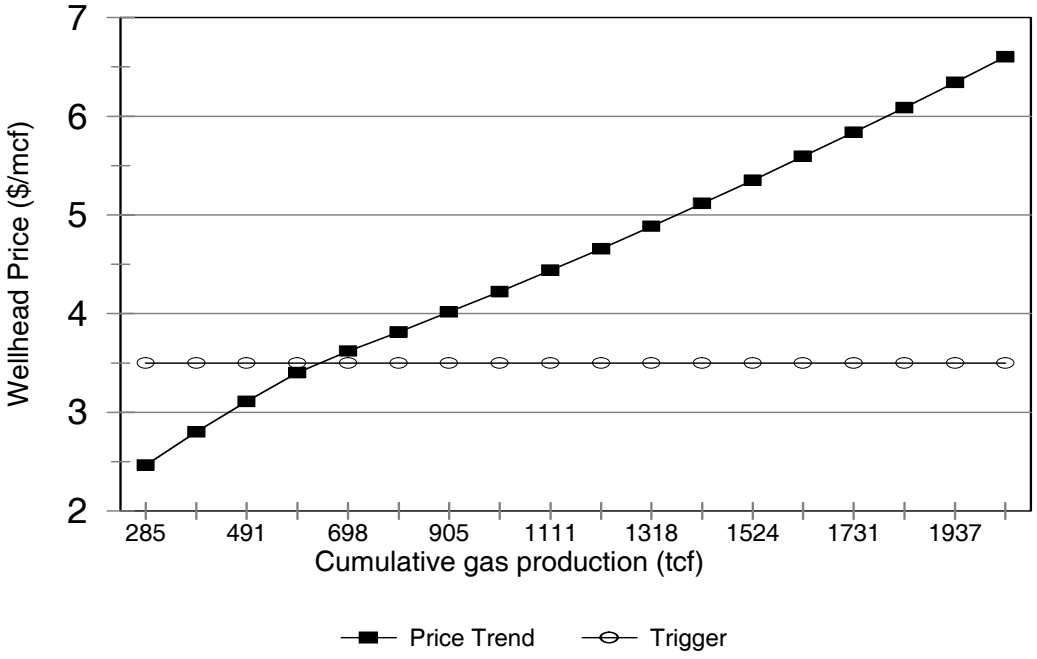
with $P_{2005} = 2.47$ (98$/mcf).

When cumulative gas production reaches 636 tcf in 2022, the price equations yields:

$$P_{2022} = .265\ (636^{0.7)} + 1.082$$
$$= 3.52$$

The "concave down" trajectory is assumed to be reversed once natural gas prices reach a given trigger price, assumed to be $3.50/mcf (1998 dollars) in this example. When expected prices exceeded that trigger, representing the price at which unconventional gas sources would become economical, a second value for e (1.3) was implemented. In the 2005 example above, such a price is reached in 2022. Thus, the approach generates an initial price trajectory that is "concave down" through 2022, and a subsequent trajectory that is "concave up" with respect to cumulative gas production (See Figure 5).

Figure 5. Example of natural gas price expectations, 2005



Carbon Dioxide Emission Calculations

The Integrating Module (through its Emission Policy Submodule) estimates carbon dioxide associated with the use of energy.[7] Carbon dioxide emissions are dependent on the carbon content of the fuel and the fraction of the fuel consumed in combustion. The product of the carbon dioxide coefficient and the combustion fraction yields a carbon dioxide emission factor. The emissions factors are expressed in millions of metric tons of carbon emitted per quadrillion Btu of energy use, or equivalently, in kilograms of carbon per million Btu.

For fuel uses of energy, the combustion fractions are assumed to be .99 for liquid fuels and .995 for gaseous fuels. The carbon dioxide potential in nonfuel use of energy, such as for asphalt and petrochemical feedstocks, is assumed to be sequestered in the product and not released to the atmosphere. For energy categories that are mixes of fuel and nonfuel uses, the combustion fractions are based on the proportion of fuel use.

Table 6 presents the carbon dioxide coefficients, combustion fractions, and emission factors for 2002. The adjusted emission factors are input into the emission policy submodule through a file ("epmdata.txt"). Because some of the factors have varied over time, factors for recent history years

[7]Projections of energy-related methane emissions, previously added to NEMS for the *Annual Energy Outlook 2001*, and presented for several years, are no longer maintained. The associated code and data files are obsolete.

in NEMS are entered separately. Factors for the last available year, 2002, apply for all projection years.

Any carbon dioxide emitted by renewable sources is considered balanced by the carbon dioxide sequestration that occurred in its creation. Therefore, following convention, net emissions of carbon dioxide from renewable sources is taken as zero, and no emission coefficient is reported. Renewable fuels include hydroelectric power, biomass, photovoltaic, geothermal, ethanol, and wind energy.

Table 6. Carbon Dioxide Emissions Factors (Kilograms-carbon per million Btu)

Fuel Type	Carbon dioxide Coefficient at Full Combustion	Combustion Fraction	Adjusted Emissions Factor (Model Input)
Petroleum			
Motor Gasoline	19.34	0.990	19.15
Liquefied Petroleum Gas			
Used as Fuel	17.18	0.995	17.09
Used as Feedstock	16.87	0.200	3.37
Jet Fuel	19.33	0.990	19.14
Distillate Fuel	19.95	0.990	19.75
Residual Fuel	21.49	0.990	21.28
Asphalt and Road Oil	20.62	0.000	0.00
Lubricants	20.24	0.600	12.14
Petrochemical Feedstock	19.37	0.200	3.87
Kerosene	19.72	0.990	19.52
Petroleum Coke	27.85	0.500	13.93
Petroleum Still Gas	17.51	0.995	17.42
Other Industrial	20.31	0.990	20.11
Coal			
Residential and Commercial	26.00	0.990	25.74
Metallurgical	25.56	0.990	25.30
Industrial Other	25.63	0.990	25.38
Electric	25.76	0.990	25.50
Natural Gas			
Used as Fuel	14.47	0.995	14.40
Used as Feedstock	14.47	0.774	11.20

Source: Energy Information Administration, (EIA) *Emissions of Greenhouse Gases in the United States 2002*, DOE/EIA-0573(2002) (Washington, DC, October 2003), available on the web at http://www.eia.doe.gov/pub/oiaf/1605/cdrom/pdf/ggrpt/057302.pdf.

Several adjustments to the carbon dioxide calculations are made in the industrial, transportation, and electricity generation sectors, as follows.

Industrial: The use of fossil fuels for non-fuel use of certain end-use products such as feedstocks for chemical production causes a significant amount of the carbon dioxide potential to be sequestered in the product. The amount of carbon dioxide sequestered depends on product characteristics that are not defined explicitly in NEMS. Following EIA's practice, an average sequestration fraction is used for each nonfuel use. In the Industrial Module, the two major feedstocks are liquefied petroleum gases (LPG) and natural gas. Consumption of these fuels is divided into feedstock and combustion categories. For the feedstock uses, an appropriate sequestration rate is applied to account for the

average proportion of carbon dioxide sequestered among products in this category. "Other" petroleum products consist of lubricants and miscellaneous petroleum products.

Transportation: The total consumption of motor gasoline reported by the Transportation Module includes both gasoline, gasoline-ethanol mixtures, and gasoline containing oxygenates with ethanol precursors. Since ethanol is considered a renewable fuel with zero net carbon dioxide emissions, the total consumption of motor gasoline was reduced by the amount of ethanol used in its production before multiplication by the emission coefficient. This modification represents less than one million metric tons carbon equivalent of carbon dioxide. Furthermore, since "other" petroleum was considered primarily lubricants, the emission coefficient and sequestration rate for lubricants was used for all of "other" petroleum.

Electricity Generation Market: Carbon dioxide emissions for coal are computed for each of seven categories of coal, as determined in the Electricity Market Module and Coal Market Module. The carbon dioxide emissions factors each coal category are provided by the Coal Market Module. This methodology incorporates changes in the mix of coal types used over time.

Emissions Policy Submodule

The Emissions Policy Submodule (EPM) implements four carbon dioxide policy evaluation options. None of the policy options are assumed to take place in runs for the *Annual Energy Outlook 2004.* However, the options have been used to simulate potential market-based approaches to meet National carbon dioxide emission objectives. The four policy options are as follows:

1) Carbon Dioxide Tax. A nominal or real dollar tax per kilogram of carbon for fossil fuels is converted to a dollar-per-Btu tax for each fuel/sector based on the carbon dioxide emission factor.[8] A different tax may be set for each year. Fossil fuel prices are adjusted to include the tax. The demand and conversion models respond to the adjusted fossil fuel prices to induce carbon dioxide emissions reductions. Revenue from the tax is passed to the macroeconomic module. There, treatment of such revenue (e.g., reducing the deficit or reducing other taxes), depends on option settings in the macroeconomic module. Generally, large changes in government revenue would require additional offline analysis to assess macroeconomic feedbacks.

2) Auction of Permits. An auction to distribute emissions permits is simulated. The total number of permits sold corresponds to the total carbon dioxide emission goal as set by the user. A different goal may be set for each year. Essentially, this option determines the permit fee necessary to achieve the carbon dioxide goal by clearing the auction market. The permit fee is treated as a carbon dioxide emissions tax and used as an adjustment to the fossil fuel prices. A new auction price is set each NEMS iteration until the emissions reach the goal. The permit auction is assumed to operate

[8]A single tax rate applies to all categories of carbon dioxide. A switch in the control file allows the tax rate to be treated as either a carbon dioxide tax ($ per kilogram carbon) or as a Btu tax ($ per million Btu). This flexibility allows the emissions policy module to be used to analyze simple energy tax policies as well.

with no initial allocation of emission permits. As in Option 1, Carbon Dioxide Tax, revenue from the auction is passed to the macroeconomic module where its effect may require additional analysis.

3) Market For Permits. A market for tradable carbon dioxide emissions permits is simulated assuming that an initial distribution of marketable permits to emission sources takes place. The permits are transferable but are not banked between years. As with the carbon dioxide tax and auction options, the full market price of the permits is added to the energy prices on a dollar-per-Btu basis. The system of marketable permits is implemented in the same way as the permit auction, with the exception of the calculation of revenues from permit sales. Similar treatment is warranted because the marginal cost of a "free" permit is equivalent to one purchased at auction, given the opportunity cost of holding the distributed permit.

In an open, competitive permit market, the permit will tend to be priced at the marginal cost of reducing carbon dioxide emissions, regardless of the initial distribution of permits. If permits are purchased by suppliers and passed through to the fuel price, the marginal cost of the carbon dioxide emission by a particular sector in a region will be reflected in the individual end-use fuel cost for that sector.

The evaluation of the initial distribution of permits depends on the sector. For those sectors in which the product prices are based on marginal cost, as modeled in the Petroleum Market Module, the value of the initial distribution of permits may be ignored; it does not affect the price of products. However, in the regulated electricity sector, where the average cost is used to determine price, the revenue attributed to the free use or sales of the initially distributed permits would possibly be passed through to the consumers. The value of the initial distribution of permits is calculated, but it is not used for electricity pricing purposes. Instead, the full cost of the permits, as though there were no initial distribution, is reflected in the electricity price.

As with the auction, a new permit fee is set each iteration. The fee is adjusted once each iteration in response to the total carbon dioxide emissions obtained. The price of an allowance is adjusted until the total carbon dioxide produced is within a tolerance of the goal for that year.

4) Market for Permits with Emission Offsets. The offset option allows for the goal on tradeable emissions permits to increase through a user-specified supply of offsets. Part of a greenhouse gas emission reduction strategy may be an offset policy. An offset policy gives credit to reductions in emissions from sources whose total emissions would be difficult to quantify precisely, such as the capture of coal bed methane. Offsets could also be available from activities like reforestation, to reflect the increase in carbon dioxide sequestration. The amount of offsets for reforestation and coal bed methane capture must be specified at various permit prices; the higher the price, the greater the assumed offsets. The offset, in millions of tons available at a given allowance price, is added to the carbon dioxide goal . While some test values for offsets are available, any formal use of this option would require additional research to arrive at appropriate assumptions. Another possible use of this option would be to simulate the availability of international carbon dioxide emission allowances at various prices. The specification of offset supply curves, or marginal abatement cost tables, along with exogenous forecasts of greenhouse gases other than energy-related carbon dioxide, are made through an input file "offsets.wk1."

Emissions Policy Submodule Implementation and Mathematical Specification

The Emissions Policy Submodule (EPM) is called at the end of each NEMS iteration, after all the other modules have been called. With all four of the EPM options, some form of energy price adjustment is calculated to account for the carbon dioxide tax, or permit fee, for the next iteration. The carbon dioxide fee is either fixed (for a straight carbon dioxide tax) or is varied each NEMS iteration until a carbon dioxide goal is met (for the permit auction and permit market options).

The fee on carbon dioxide emissions is modeled as an adjustment on the end-use price of the fuel. Two sets of end-use price variables are maintained in NEMS: an *unadjusted* set of prices without any carbon dioxide fee added, and an *adjusted* set of prices that includes the carbon dioxide fee. The *unadjusted* prices are those determined by the NEMS supply and conversion modules. The *adjusted* prices, with the carbon dioxide fee included, are the price variables actually used by the demand models. In the integrating module, after each module is executed, the adjusted fuel prices are reassigned based on the current carbon dioxide fee.

Input-Output Linkages

The input data for EPM comes primarily from other modules of NEMS. The only other exogenous data are the policy options to be implemented and the carbon dioxide emissions factors. If a carbon dioxide tax scenario is to be implemented, the tax rate must also be specified. Alternatively, a carbon dioxide goal may be specified, and the carbon dioxide tax to meet that goal will be set in the EPM once each iteration of the NEMS solution algorithm. Output from the EPM consists of adjustments of the end-use prices of fuels consumed by the demand and conversion modules. The adjustments are additions to prices in dollars per million Btu. Revenue, in billions, from the carbon dioxide penalty is also calculated, where it can be used by the Macroeconomic module or for offline analysis of macroeconomic feedbacks.

The EPM inputs and outputs are stored in the NEMS global data structure. As input, three common blocks contain the NEMS end-use fuel prices: MPBLK, NGTDMOUT and COALPRC. These prices, established in the NEMS supply and conversion modules, are the input prices to the EPM. As output, EPM determines a dollar-per-Btu adjustment to each product-sector price to reflect any carbon dioxide tax or allowance fee. EPM adds the adjustment to the NEMS end-use fuel prices and stores them in a parellel set of price common blocks: AMPBLK, ANGTDM, and ACOALPRC. When no carbon dioxide policy options are in effect, the adjusted price common blocks (AMPBLK, ANGTDM, ACOALPRC) match the unadjusted price common blocks from the supply modules (MPBLK, NGTDMOUT, and COALPRC). The energy price adjustments, equal to the difference between the two sets of prices, are stored in the EMABLK common block. If nonzero, these prices adjustments are used as starting values when either of the carbon dioxide goal options (auction or permit market) are in effect.

The total carbon dioxide emission from both combustion and non-combustion sources is calculated in the EPM from information in the common blocks QBLK, INDOUT, EMMOUT, and COALEMM. The common QBLK contains the quantities of end-use fuels consumed. In QBLK, feedstock uses of liquefied petroleum gas and natural gas are not broken out separately from total industrial liquefied petroleum gas and natural gas, respectively. The feedstock portion of these fuels

is obtained from two variables, INQLGPF and INQNGPF, in the common block INDOUT. The EMMOUT common has natural gas consumption reported by EMM region for firm, interruptible, and competitive categories. The COALEMM block contains coal consumption by SO2 classification category and emissions factors for coal aggregated to those same categories. Several policy options result in revenue from the carbon dioxide penalty flowing to the government. This revenue is furnished to the macroeconomic module through the EMISSION common block.

Emissions Policy Submodule Algorithm

The EPM is executed once each iteration to determine total carbon dioxide emissions produced, the revenue created by any tax or permit fees for carbon dioxide emissions, and, depending upon the scenario, the level of offsets produced. For the carbon dioxide goal policy options, a heuristic algorithm (subroutine REGFALSI) sets a new carbon dioxide fee to bring the carbon dioxide emissions closer to the carbon dioxide goal.

The following outline depicts the steps in the submodule flow, showing subroutine calls and variable names in parentheses.

I. First Year, First Iteration Processing

   A. Read control file, "epmcntl.txt," to get settings for the four policy options (TAX_FLAG, PERMIT_FLAG, MARKET_FLAG, OFFSET_FLAG)
   B. Read emissions policy data file "epmdata" (Call EPM_READ).
      1) Read yearly arrays with the emission tax (EMTAX), carbon dioxide goal (EMISSIONS_GOAL), and maximum tax (MAX_TAX).
      2) Read coal region mapping variable (obsolete).
      3) Read yearly arrays with emission factors for each fuel/sector product (variable names are the same as the corresponding NEMS energy consumption variables but start with "E" instead of "Q").
      4) Read supply curve prices, quantities for reforestation offsets (PREF, OFFSETREF).
      5) Read supply curve prices and quantities for coal bed methane offsets (PCB, OFFSETCB).

II. Calculate carbon dioxide emissions and sum to a national total (Call SUM_EMISSIONS).

III. Calculate revenues from carbon dioxide tax or carbon dioxide permit fees (Call ACCNTREV).

IV. Under a market permit system, allocate revenue to end-use sectors based on initial sector shares of carbon dioxide emissions (Call INITREV).

V. Under a market permit system with offsets, determine what level of emission offsets are available to raise the carbon dioxide cap, given the current carbon dioxide tax (Call OFFSETS).

VI. With a permit auction or market, assign a new carbon dioxide tax to reduce the absolute difference between the carbon dioxide emissions and the carbon dioxide goal (Call

REGFALSI).

VII. Calculate energy price adjustments of end-use fuels from the carbon dioxide tax by multiplying the carbon dioxide tax by the fuels' emission factors (Call PRICE_ADJUST).

VIII. After every NEMS module called, reassign the adjusted prices by adding the carbon dioxide tax price adjustments to the unadjusted prices (Call COPY_ADJUST).

Emission Policy Submodule Mathematical Specification

The following subroutine descriptions provide the mathematical specifications for these calculations.

SUBROUTINE EPM

This subroutine is the main controlling subroutine for the Emissions Policy Submodule. Initially, the subroutine reads flags to determine the scenario type: carbon dioxide tax, auction of permits, market for permits, and permit market with offsets. Based on these flags, the module calls the appropriate subroutines. For all options, carbon dioxide emissions are estimated (SUM_EMISSIONS), and the revenue from any carbon dioxide fee, regardless of whether it is from a carbon dioxide tax, auction, or permit trading policy is calculated (ACCNTREV). For the permit trading policy, a routine is called to distribute an initial allocation of the revenues, equivalent to distributing "free" permits to the consuming sectors in proportion to their base year carbon dioxide emissions (INITREV). For an auction or permit market policy, a new permit fee is established each NEMS iteration, such that the emissions goal is met within a given tolerance level (REGFALSI). For the carbon dioxide emissions offset option, the offsets that would be created at the previous market clearing price are added to the emissions goal (OFFSETS).

Called by: Integrating Module, Subroutine NSOLVE

Calls: EPM_READ
SUM_EMISSIONS
ACCNTREV
INITREV
REGFALSI
OFFSETS
PRICE_ADJUST

Equations: None.

SUBROUTINE SUM_EMISSIONS

Description: This subroutines calculates carbon dioxide emissions by sector and returns to national total, AMTPOL. Carbon dioxide emissions are the product of end use fuel consumption and the corresponding emissions factor. The emissions are aggregated by Census region and sector. The variables for fuel quantities are defined in the common blocks QBLK and EMMOUT.

Called by: EPM

Calls: None

Equations:

$$AMTPOL = \sum_{i} \sum_{j} \sum_{k} Em(ik) * Qf(ijk)$$

where

AMTPOL	=	Total carbon dioxide emissions from all fuel i (billion kilogram-carbon) from all regions j in year k,
Em(ik)	=	Carbon dioxide emission factor for fuel i (kilogram-carbon /million-Btu) in year k,
Qf(ijk)	=	Quantity of fuel i consumed (trillion-Btu) in region j and year k.

SUBROUTINE ACCNTREV

Description: This subroutine calculates the total revenue raised from each sector by the emissions fee (tax or permit fee). Revenue is calculated by multiplying the quantity of end-use fuel consumption by an emissions factor and the emissions fee.

Called by: EPM

Calls: None

Equations:

$$REV(l) = \sum_{i \subset l} \sum_{j} \sum_{k} EMTAX(k) Em(ik) Qf(ijk)/1000$$

where

REV(l) = Total revenue collected in sector l from all fuel i from all regions j and in year k (Billion 1987 $),

Em(ik) = Emission factor for fuel i (kilograms-carbon /million-Btu) in year k,

EMTAX(k) = Carbon dioxide tax or permit fee (87$/kilogram carbon) in year k

Qf(ijk) = Quantity of fuel i consumed in region j and year k (trillion-Btu)

SUBROUTINE INITREV

Description: If a marketable permit system is being modeled, a given number of permits will be distributed initially to the affected sources. This subroutine calculates the value of this initial allocation of permits by multiplying the number of permits by the carbon dioxide permit fee.

Called by: EPM

Calls: None.

Equations:

$$CallocInit = Sallocinit * Palloc$$

where

CallocInit	=	Total value of initial allocation of permits (billion 1987 $),
SallocInit	=	Permits allocated initially (billion kilograms-carbon)
Palloc	=	Price of a permit (87$/kilograms-carbon).

SUBROUTINE: PRICE_ADJUST

Description: This subroutine assigns the price adjustment of each fuel to reflect the carbon dioxide emissions tax of permit fee by multiplying it by the fuel's emission factor. These price adjustments are used in subroutine COPY_ADJUST to establish adjusted fuel prices that include the carbon dioxide tax or permit fee.

Called by: EPM

Calls: None.

Equations:

$$Eadj(ik) = Em(ik) * EMTAX(k)$$

where

Em(ik)	=	Emission factor for fuel i (kilograms-carbon /million-Btu) in year k,
EMTAX(k)	=	Carbon dioxide tax ($/kilogram-carbon) in year k
Eadj(ik)	=	Price adjustment of fuel i ($/million-Btu) in year k.

SUBROUTINE: REGFALSI

Description: This subroutine adjusts the carbon dioxide tax (or carbon dioxide permit fee) such that the carbon dioxide emission goal is met. In general, the routine will increase the tax if the carbon dioxide emissions exceed the goal and decrease the tax if the emissions fall below the goal.

The routine first establishes a tax range to try to bracket emissions within an interval around the goal. Let f(x) be the difference between the carbon dioxide emissions and the carbon dioxide goal for a carbon dioxide tax of x. Note the f(x)>0 implies the tax is too low, while f(x)<0 implies the tax is too high. The objective is to find x, where f(x)=0. Initially, the subroutine must adjust the value of x to find two values of the carbon dioxide penalty, x_i and a_i, where $x_i < a_i$, $f(x_i) < 0$, and $f(a_i) > 0$. Once these conditions hold, a new trial tax, u, is established within the interval between x_i and a_i using the equation below.

This interpolation method to find the root is known as *the method of false position*, or *regula falsi.*

Called by: EPM

Calls: None.

Equations:

$$u = \frac{[a_i f(x_i) - x_i f(a_i)]}{f(x_i) - f(a_i)}$$

where

a_i = Carbon dioxide tax on some previous iteration i such that $f(a_i) < 0$,
x_i = Carbon dioxide tax on some previous iteration i such that $f(x_i) > 0$,
u = New carbon dioxide tax.

In the next iteration, x_i is replaced with u if $f(u) < 0$, or a_i is replaced with u if $f(u) > 0$. Using this procedure, the value of u is found such that $f(u) = 0$ to some tolerance.

SUBROUTINE: COPY_ADJUSTED

Description: This subroutine updates the adjusted price common blocks, adding a fuel-specific cost adjustment to reflect a carbon dioxide tax or permit fee on each fuel. All of the prices in the unadjusted price common blocks MPBLK, COALOUT and NGDTMOUT, are copied to the corresponding adjusted price common blocks AMPBLK, ACOAL and ANGTDM each time a NEMS module is executed, and the fuel-specific price adjustments for specific variables calculated in subroutine PRICE_ADJUST are added.

Called By: NSOLVE

Calls: none

Equations:

$$Padj(ijk) = Pbase(ijk) + Eadj(ik)$$

where

Padj(ijk)	=	Adjusted price of fuel i in region j and year k (87$/million-Btu),
Pbase(ijk)	=	Unadjusted price of fuel i (87$/million-Btu) in region j and year k.
Eadj(ik)	=	Price adjustment of fuel i (87$/million-Btu) in year k.

SUBROUTINE: EPM_READ

Description: This subroutine reads the initial carbon dioxide penalty, emissions factors, and offset curves for the EPM.

Called by: EPM

Calls: None.

Equations: None.

Appendix A. Bibliography

The National Energy Modeling System is documented in a series of model documentation reports, available through the internet at http://www.eia.doe.gov/bookshelf/docs.html. Most of the references in the Bibliography refer to these documentation reports and their publication numbers. The model documentation reports listed below are those available as of January 2004. However, most of these reports will be updated in early 2004 to reflect modeling changes for the *Annual Energy Outlook 2004*.

The reports listed below, unless cited otherwise, were produced by the Energy Information Administration.

Annual Energy Outlook 2004, DOE/EIA-0383(2004) (Washington, DC, January 2004)

Coal Market Module of the National Energy Modeling System, Model Documentation 2003, DOE/EIA-M060(2003) (Washington, DC, February 2003).

Commercial Sector Demand Module of the National Energy Modeling System, Model Documentation 2003, DOE/EIA-M066(2003) (Washington, DC, December 2003).

Electricity Market Module of the National Energy Modeling System, Model Documentation Report 2003, DOE/EIA-M068(2003) (Washington, DC, July 2003).

Emissions of Greenhouse Gases in the United States 2002, DOE/EIA-0573(2002), (Washington, DC, October 2003.

Industrial Sector Demand Module of the National Energy Modeling System, Documentation Report 2003, DOE/EIA-M064(2003) (Washington, DC, January 2003).

International Energy Module, Model Documentation 2003, DOE/EIA-M071(2003) (Washington, DC, May 2003).

Macroeconomic Activity Module (MAM) of the National Energy Modeling System–Model Documentation 2003, DOE/EIA-M065(2003) (Washington, DC, February 2003).

The National Energy Modeling System: An Overview 2003, DOE/EIA-0581(2003), (Washington, DC, March 2003).

Natural Gas Transmission and Distribution Model of the National Energy Modeling System, Model Documentation 2003, DOE/EIA-M062(2003) (Washington, DC, June 2003).

Oil and Gas Supply Module (OGSM), Model Documentation 2003, DOE/EIA-M063(2003) (Washington, DC, April 2003).

Petroleum Market Model of the National Energy Modeling System, Model Documentation 2003, DOE/EIA-M059(2003) (Washington, DC, February 2003).

Renewable Fuels Module of the National Energy Modeling System–Model Documentation 2003, DOE/EIA-M069(2003) (Washington, DC, February 2003).

Residential Sector Demand Module of the National Energy Model System, Model Documentation 2001, DOE/EIA-M067(2001) (Washington, DC, December 2001).

Transportation Sector Model of the National Energy Modeling System, Model Documentation 2003, DOE/EIA-M070(2003) (Washington, DC, February 2003).

Appendix B. NEMS Software Management and Implementation

This appendix describes some aspects of NEMS integration related to software management and NEMS implementation. The features described relate to how NEMS is organized and implemented for use in EIA's multi-user development environment. These features do not apply to the archival version of NEMS, which is designed for a single user and a particular version of NEMS.

Configuration Management

A custom configuration management system employing the public domain Revision Control System (RCS) is implemented at the file level and integrated into various model management features. The MKS Toolkit, used for Korn shell emulation and scripting, is used to implement most of these RCS features in a command-oriented shell environment that runs under the Microsoft Windows operating system.

Centralized File Storage and User Directories

Files are stored on shared servers that are backed up by EIA's Office of Information Technology (incremental backups nightly; full backups weekly). The read-access to a common, shared storage area for NEMS files (called "/defaults") is open to all members of a NEMS group, but write-access to this area is controlled through configuration management procedures (e.g., check-in and check-out). The primary subdirectories in the NEMS common storage area are:

/default/input	Input files
/default/source	source code files (.f)
/default/include	supplementary source code, known as include files, with variable declarations
/default/objects	compiled code known as object files
/default/logs	log files
/default/scripts	programs, Korn shell scripts, and related files.

Each of the above directories has an "RCS" subdirectory. The RCS software stores revision histories of each file in the RCS subdirectory (e.g., /default/input/RCS). Additional subdirectories in the common storage area that are not subject to revision control are:

/default/oml	libraries for the Optimization and Modeling Library (OML)
/default/doc	miscellaneous files with user-oriented documentation and guidelines
/default/installcdcopies	Copies of software installation CDs for disaster recovery (administrative access only)
/default/rcs_programs	Executables for the RCS software

User directories, stored independently of the "/default" directory on the servers, are organized in four directories by functional areas of the users:

/mid	macroeconomic, international, demand
/rec	renewables, electricity, and coal
/ogs	oil and gas
/main	integration and other

These four areas have user-specific subdirectories to store each user's work-in-progress files, trial versions, and so on. Incremental nightly backups and full weekly backups provide a recovery capability for file accidents and hardware failure.

Outputs of runs may be stored locally on the user's PC or on the servers. Most runs are stored in an "/output" directory on one of the servers. A run is stored in a scenario and date/version subdirectory (such as /output/aeo2004/d101703e).

File Change History

A text-formatted log recording a comment for changes to each file is maintained and the history of changes is retained. The change log is implemented at the file level, meaning there is one log and revision-history for each file. The command "fdef {filename}" (find default) is used to identify the default version and list the version history of a given file.

Input File Naming Convention

Each input file is named generically as well as with a unique version component. For example, the generic file, trninput.wk1, has versions identified as trninput.v1.1.wk1, trninput.v1.2.wk1, etc. The generic version of the file name is used when it is copied to a run-specific input subdirectory and when it is checked-out for editing. In many cases, the name of the file and its version is included in a file header, so that the version you are working with is evident, even if it is the generically-named file. (RCS can automatically maintain this internal version/file-name header for text files.)

NEMS input files are stored in the "/default/input" directory.

Defaults Log

A text-formatted log ("/default/logs/defaults") is maintained with at least one line for each file in the modeling system. A log entry identifies the version, say 1.2, of the file which is designated as the "default." Other lines may identify the version(s) associated with a particular symbolic name (usually a run scenario such as hitech03). Entries in the defaults log are maintained in sync with the file's RCS change history log. That is, symbolic names identifying a version (such as default or hitech03) are also added to the file's RCS change-history log whenever the defaults log is changed.

File Check-out and Locking

To change a file, a user "check outs" the file (using command "nemsco"). The user may lock the file, signifying an intention to change it and to prevent another user from changing it without coordination. A log ("/default/logs/ciolog") identifies the user and location of each locked file (a command "listlock" lists a user's locked files). Other users can therefore find out where files under development are located.

File Check-in and Version Defaulting

Files may be returned to the common area using a check-in procedure ("nemsci"). A new version is assigned, a comment from the user is recorded, and, if requested, the new file version may be designated as the new default.

Model Programming Utility

Several features are available to support model development. A command-line procedure to compile a NEMS fortran module is available ("nfort"). Visual Fortran development environment can be used as well (see /default/doc/visual_fortran.rtf). The default NEMS source code is stored in the "/default/source" and "/default/include" directories. For model development, source code files (with extension ".f") and include files[9] are checked out for local modification and testing. The compiled code is stored in object files (extension ".obj"). Defaulted object files are stored in the ".object" directory. A compilation log ("complog_*module"*) for each defaulted object file identifies the source code version and include file versions used to create it. Special procedures to check out or check in a source code version and its associated include files are implemented to support the linkages between specific source code and object file versions. These procedures are called "group check-out" and "group check-in."

Job Setup Keys for Files and Options

The "varkeys" file ("/default/scripts/varkeys") is a list of all the job setup keys that can be used to designate a run's input files and many other job submission options. This file is used by the NEMS run submitter to identify acceptable job options and convert job templates, or shells, into executable scripts.

Run Submitter and Job Control

There are two versions of the NEMS job submitter: "runnnems" (window-oriented) and "jognems" (Korn shell command line). Both programs initialize a run and either start it running immediately or submit it for batch execution. Both read a user's run options from scenario-description files (scedes.*scenario*). A job log showing the status of

[9] Include files are files that are inserted into the primary source code by the compiler and are typically used to store declarations.

currently executing jobs is available for status monitoring. The job log is displayed using the "jc" (job control) command with no arguments. A job control menu is displayed with the "jc menu" option and can be used to monitor, stop, or suspend individual jobs.

Subroutines in the NEMS integrating module report status information during a run and respond to job control requests to stop, suspend execution, or change priority.

Distributed Job Processing

A mechanism to support group-wide, distributed batch job processing on individual workstations has been implemented to run NEMS jobs. The program that implements this on each workstation is called runit.exe. "Runit" monitors job submissions and can dispatch a NEMS run awaiting execution on its host workstation. The processing is controlled to limit the number of simultaneous jobs executing on any single workstation or server. Users can direct a job to run a particular workstation that has Runit executing (using "hostpc=*servername"* in the scedes file). The list of available Runit queues can be displayed using the "sq" (show queues) command. The status of job processing can be displayed using the "jc" (job control) command.

Run Log

Runs are identified by a unique name using a scenario/date/version convention (e.g., aeo2004/d101703e, where "aeo2004" is the scenario and "e" is a version of that scenario on 10/17/03). The run identifier also is used to name the location (folder) of the run's work-space and its output files. An entry for each run is made to central run log ("runlog"), identifying the user who submitted the run. In the output directory of a run, a text file named "launched.from" provides additional information on how the run was set up and where, as an aid in problem diagnosis/replication

Record of Run Options and Files Used

All options and input files (and code files) for each run are recorded in a file in the output directory (called "scedes.all") and in the working directory where the job was submitted (scedes.all.*scenario.date-version*).

Run Replication and Archival Capability

Each run can be replicated by using its "scedes.all" to designate settings. The run can be initialized using the options/files from a prior run, then selectively updated with alternative options. A run archival script is available to collect all of the input files, object code, source code, and output files for a given run and save it in a package for model archival.