

# An Optimized Electricity Payment and Metering System Using K-Means Clustering Algorithm

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## ABSTRACT

The efficient management and utilization of electricity have become paramount in modern society. The Electricity Payment and Metering System plays a pivotal role in ensuring accurate billing, real-time data access, and demand response. However, existing systems face challenges in terms of data accuracy, security, and user-friendliness, necessitating the development of an optimized solution. Several researchers have explored aspects of electricity payment and metering systems. Onumanyi et al. (2021) emphasized the importance of accurate billing and real-time data access. Shen et al. (2022) delved into billing accuracy and data security, while Narayanaswamy et al. (2023) focused on demand response optimization. These studies have contributed valuable insights but have not provided a holistic solution. The current research seeks to bridge the gap by proposing an optimized electricity payment and metering system that combines advanced metering technologies, robust data security, user-friendly interfaces, and data analytics. It aims to enhance data accuracy, promote user satisfaction, and ensure compliance with data privacy regulations, addressing the shortcomings of existing systems. The research employs a multidisciplinary approach, utilizing tools and techniques such as K-Means clustering for consumer segmentation, PHP for web-based interfaces, and MySQL for secure data storage. These tools are integrated into a scalable and modular architecture designed to meet the evolving needs of the electricity management landscape. The research findings highlight the effectiveness of the proposed optimized system. It significantly improves data accuracy, enabling accurate billing and informed decision-making for consumers.

Robust security measures protect sensitive consumer data, ensuring compliance with data privacy regulations. User-friendly interfaces enhance consumer satisfaction, while demand response optimization contributes to grid stability. The system's scalability and modularity allow for seamless expansion and future enhancements. Overall, the research presents a comprehensive solution to the challenges faced by electricity payment and metering systems, ensuring efficient electricity management and utilization for all stakeholders in the residential, commercial, and industrial sectors.

## I. INTRODUCTION

In today's modern society, the efficient management and utilization of electricity is of utmost importance. Electricity plays a vital role in various sectors, including residential, commercial, and industrial (Energy Efficiency in Residential and Commercial Buildings, n.d). As electricity continues to be a fundamental necessity in our lives, the need for an optimized electricity payment and metering system becomes increasingly important (Onumanyi et al., 2021). With the ever-growing demand for electricity, it is crucial to ensure its efficient management and utilization across all sectors (Pašičko et al., 2010). The residential sector heavily relies on electricity for lighting, heating, cooling, and various household appliances. Commercial establishments, such as offices, shopping malls, and restaurants, require electricity to power their operations and provide services to customers (Alsuhaibani et al., 2023). The industrial sector, on the other hand, relies heavily on electricity to operate machinery, maintain production processes, and meet the demands of a growing economy. In order to

effectively manage electricity usage and promote sustainability, an optimized electricity payment and metering system is necessary. This system would incorporate advanced metering technologies, smart billing systems, and data analytics to accurately monitor and track electricity consumption. The optimized electricity payment and metering system would go beyond traditional methods of metering and billing, providing real-time data on electricity usage (Narayanaswamy et al., 2023). This real-time data would enable consumers to monitor their electricity consumption, identify peak usage periods, and make informed decisions to reduce their energy consumption. Moreover, an optimized electricity payment and metering system would promote fairness in billing by accurately measuring and charging customers based on their actual electricity usage (Shen et al., 2022). Additionally, an optimized electricity payment and metering system would improve efficiency in revenue collection and reduce operational costs by eliminating manual meter reading and billing processes.

### Estimated Billing System

In Nigeria's electricity distribution companies, some consumers remain unmetered, despite efforts by the Nigerian Electricity Regulatory Commission (NERC) to close this gap (C.C. Ofonyelu and R.E. Ejiolorun). The absence of

meters led to estimated billing, often to the detriment of electricity consumers. The primary drawback of billing by estimate has been the tendency to overcharge electricity users, leading to payment apathy (L. Abdulwahab 2009, p. 28). This billing method is described as an asymmetric billing pattern.

Asymmetry in electricity billing refers to arbitrary and non-transparent methods of assessing and costing consumers' electricity usage. Common examples of arbitrariness in billing by the Electricity Distribution Company of Nigeria (EDCN) include charging electricity rates outside approved tariffs, irregularities in metering, and the use of estimated billing (F. Asu 2016). Under this asymmetric billing pattern, consumers receive estimated bills that do not correlate with their actual energy consumption. The billed amount remains constant for all customers within the same category, regardless of actual usage or property size.

F. Asu (2016) reported that electricity consumers alleged that distribution companies deliberately avoided supplying meters and resorted to estimated billing as a means to exploit consumers, even when consistent power supply was not provided. Additionally, consumers criticized the estimated billing system for failing to reflect their actual monthly consumption in their bills.

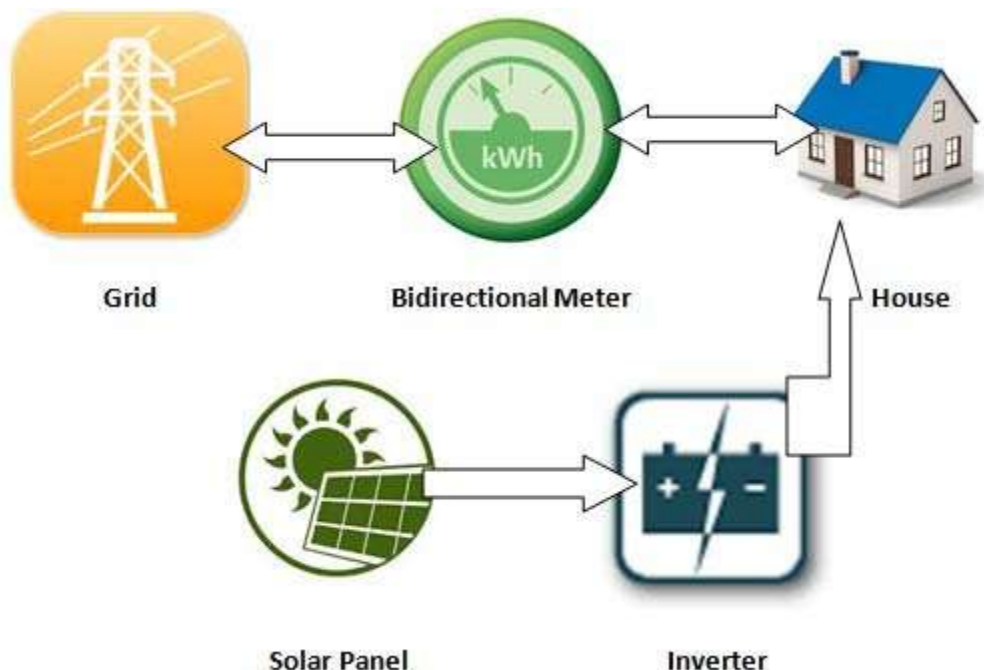


Figure 2.1 Basic Net Metering System

### Prepaid Billing System

The persistent disputes among customers and their reluctance to pay electricity bills in Nigeria prompted the introduction of the Prepaid Billing System. However, this innovation has also encountered its share of challenges. Researchers, both within and outside Nigeria, have been working on enhancing this system.

According to N.T. Makanjuola and O. Shoewo (2015, p. 22), the current prepaid billing system in Nigeria, adopted by many utility companies, involves customers prepaying for energy before using it. However, it suffers from several disadvantages, including difficulties in changing tariff charges, inadequate customer record-keeping, and challenges with meter recharging.

Various researchers have proposed improvements to the existing prepaid system. For example, J.S. Prajapati and A.P. Patel (2014, p. 441) introduced a system using Global System for Mobile (GSM) communication and optical fiber to transmit customer-consumed units, still based on a prepaid platform but lacking in customer record-keeping. Another proposal by K. Jubi and J. Mareena (2013, p. 2048) relied on prepaid energy meters using GSM technology and recharge cards but did not address customer information documentation. S. Raikar and S.S. Majigoudar (2014, p. 912) suggested a prepaid billing system with an adaptive meter that allows remote recharging but neglects customer record-keeping.

A.Jain and M. Bagree (2011, p. 160) designed a smart power billing system that resembles prepaid mobile phones, where a prepaid card communicates directly with the power utility using mobile technology. However, this system also lacks proper record-keeping. Finally, A.O. Oyubu et al. (2015, p. 35) proposed a two-way communication prepaid system using two GSM modems but did not emphasize customer record-keeping, while Nigeria's energy sector has progressed through manual, estimated, and prepaid billing systems, challenges with accuracy, transparency, and customer record-keeping persist in these methods. Researchers have made efforts to enhance these systems, but comprehensive solutions that address all aspects of billing remain elusive.

#### Analysis of the Proposed System

The proposed optimized electricity payment and metering system represents a significant leap forward in addressing the limitations of the existing system. This analysis explores the key components and benefits of the

proposed system while evaluating its potential impact on various stakeholders and the electricity management landscape. The core of the proposed system involves the deployment of advanced metering technologies, such as smart meters and sensor networks. These devices provide real-time data on electricity consumption (Narayanaswamy et al., 2023). This real-time data collection significantly improves accuracy and eliminates the need for manual meter reading, addressing a primary constraint of the existing system. One of the most transformative aspects of the proposed system is its ability to process and analyze real-time consumption data. Data analytics tools can identify usage patterns, peak demand periods, and potential areas for energy efficiency improvements (Koprinska et al., 2017). This empowers both consumers and utility providers with actionable insights. The proposed system places a strong emphasis on consumer engagement and empowerment. Consumers gain access to user-friendly interfaces, mobile apps, and web portals that provide real-time information on their electricity consumption (Shen et al., 2022). This transparency enables consumers to make informed decisions, reduce energy waste, and actively participate in demand response programs. Efficient peak demand management is a critical feature of the proposed system. With real-time data and consumer engagement tools, utility providers can implement demand response strategies effectively (Alsuhaibani et al., 2023). Consumers can receive alerts and incentives to reduce usage during peak periods, helping to mitigate grid stress and reduce environmental impact. The proposed system significantly improves billing accuracy. Consumers receive bills based on their actual, verified usage, reducing billing disputes (Shen et al., 2022). This enhances customer satisfaction and streamlines billing operations, lowering operational costs for utility providers. The proposed optimized electricity payment and metering system represents a significant advancement over the existing system. It addresses key constraints, enhances consumer engagement, promotes energy efficiency, and contributes to environmental sustainability. By leveraging advanced metering technologies and real-time data analytics, this system has the potential to revolutionize electricity management, improve operational efficiency, and provide consumers with greater control over their energy usage. However, successful implementation will require careful planning, regulatory support, and consumer education to realize its full potential.

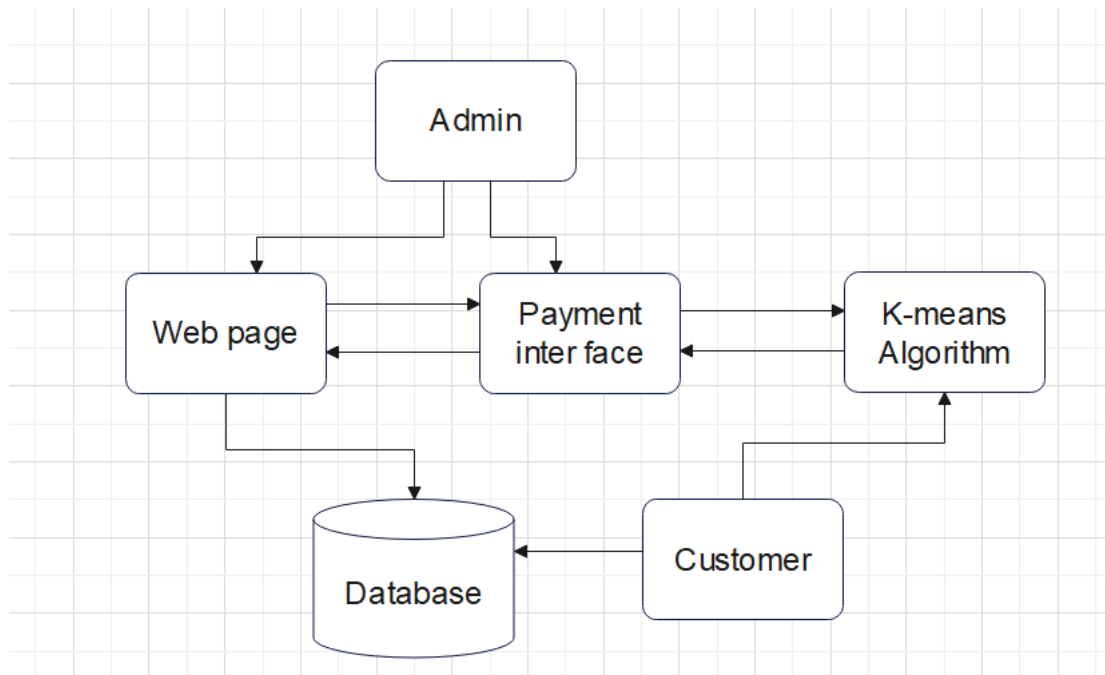


Figure 2.1 Architecture of the proposed system

### Method Adopted in the Study

The methodology adopted in this study involves a comprehensive approach to researching and developing an optimized electricity payment and metering system. The study utilizes the PHP programming language to implement the K-Means clustering algorithm. PHP's web development capabilities and compatibility with MySQL enable the development of dynamic and interactive user interfaces for consumers and utility providers. MySQL serves as the database management system to efficiently store and retrieve electricity consumption data, billing information, and consumer profiles. Its reliability and performance are crucial for real-time data access. The research involves the development of web-based interfaces and back-end systems using PHP. These interfaces enable consumers to access real-time data and make informed decisions about their energy usage. The methodology integrates these components to create an optimized electricity payment and metering system that addresses the limitations of the existing system. By employing data-driven insights, algorithmic analysis, and web-based interfaces, the study aims to empower consumers, improve operational efficiency, and contribute to sustainability in electricity management.

### System Model

The system model for an optimized electricity payment and metering system represents

a conceptual framework that outlines the key components, interactions, and processes within the system. This model provides a high-level view of how the system functions and serves as a foundation for design and implementation

### Data Collection and Smart Meters

At the heart of the system model are smart meters installed at consumer premises. These meters continuously collect data on electricity consumption, including usage patterns, time-of-use data, and real-time readings. This data is transmitted securely to the central system for processing.

### Central Data Processing

The central data processing component receives and manages the incoming data from smart meters. It includes data validation, aggregation, and storage functionalities. The data processing component also employs data analytics algorithms, such as K-Means clustering, to segment consumers based on their consumption patterns.

### Web-Based User Interfaces

The system model includes web-based user interfaces accessible to both consumers and utility providers. Consumers can log in to view their electricity consumption data, access billing information, and receive real-time updates. Utility providers have access to administrative interfaces for system management, reporting, and monitoring.

### **Demand Response Module**

A demand response module is integrated into the system to manage peak demand. It identifies consumers willing to participate in demand response programs and communicates load shedding instructions during peak periods.

### **Billing and Payment Module**

The billing and payment module calculates accurate bills based on real-time consumption data and tariff rates. Consumers receive bills through the web interfaces, and various payment options are supported, including online payments.

### **Data Security and Privacy**

Data security measures, including encryption, access controls, and authentication, are integrated into the system model to safeguard consumer data and ensure compliance with data privacy regulations.

### **Reporting and Analytics**

The system model includes reporting and analytics components that provide utility providers with insights into electricity consumption trends, demand forecasts, and system performance. These insights aid in decision-making and operational planning.

**Scalability and Integration:** The system is designed to be scalable, allowing for the addition of new smart meters and consumers as the system expands. It also integrates with external systems, such as regulatory reporting and grid management tools.

The system model for the optimized electricity payment and metering system encompasses data collection, processing, web-based interfaces, demand response, billing, data security, reporting, and scalability. This model serves as a blueprint for developing a comprehensive and efficient system that empowers consumers, promotes sustainability, and enhances electricity management for utility providers.

### **Justification of the Implementation Platform**

The use of the K-Means algorithm in the research on an optimized electricity payment and metering system can be justified for several reasons:

**Consumer Segmentation:** K-Means clustering can be applied to group consumers based on their electricity consumption patterns. By identifying distinct consumer segments, utility providers can tailor their services, pricing models, and energy-saving recommendations to meet the specific needs

and preferences of each group (Arulampalam et al., 2002).

**Load Forecasting:** K-Means clustering can assist in load forecasting by categorizing consumers into clusters with similar load profiles. This information can be valuable for predicting future electricity demand accurately, which is crucial for grid management and resource planning (Deb et al., 2014).

**Demand Response:** The K-Means algorithm can help identify consumers who exhibit similar response patterns to demand response programs. By targeting clusters of consumers with similar behavior, utility providers can optimize demand response strategies, reduce peak demand, and enhance grid stability (Deb et al., 2014).

**Energy Efficiency:** K-Means clustering can reveal energy efficiency opportunities by identifying clusters of consumers with high energy consumption or inefficient usage patterns. This information can guide utility providers in offering targeted energy-saving recommendations to reduce consumption and lower costs (Kong et al., 2012).

**Interpretability:** The results of K-Means clustering are easily interpretable, as consumers are grouped into distinct clusters. This transparency makes it straightforward for utility providers and consumers to understand the segmentation and take actionable steps (Arulampalam et al., 2002). K-Means clustering can be applied iteratively as new data becomes available. This allows utility providers to adapt to changing consumer behavior and continuously optimize their services and strategies (Kong et al., 2012). The use of the K-Means algorithm in the research on an optimized electricity payment and metering system is justified due to its versatility, scalability, interpretability, and ability to uncover meaningful insights from electricity consumption data. It enables utility providers to enhance consumer segmentation, demand forecasting, demand response, and energy efficiency efforts, ultimately contributing to a more efficient and consumer-centric electricity management system.

### **Algorithm**

This outlines the sequential sequence of operations occurring at the simulated smart meter end and the procedure for calculating bills:

1. Commencement
2. Customer Authentication
3. Assign Authenticated Customer to Arbitrary customer
4. Choose Customer premises for Arbitrary customer
5. Assign load = Load of Customer premises



6. Set Meter Reading to 0
7. Increment Meter Reading by (load / 60 60)
8. Check Meter Status
9. Repeat steps 6 and 7 until Meter Status equals "Due"
- a. Upload Meter Reading
- b. Obtain User Choice
10. Repeat steps 5, 6, 7, 8, 9, and 10 until choice equals "Add load," "Remove load," or "Exit"
11. If choice equals "Add load," Then Read new load Add new load to load
12. Return to step 6
13. If choice equals "Remove load," Then
14. Select Load to Remove
15. Subtract Remove load from load
16. Return to step 6
17. If choice equals "Exit," Then
18. End
19. Conclusion

## II. DISCUSSION OF RESULTS

The system operates by having the smart meter transmit the consumed energy data to the billing station via a communication channel synchronized with a web service. Customers can recharge their accounts on the website using recharge vouchers generated by the system administrator. These recharge vouchers are applicable to both prepaid and postpaid customers. For prepaid customers, particularly those in residential households, their bills are deducted in real-time from their accounts. In contrast, postpaid customers can settle their bills at the end of the month using the same recharge vouchers and may face disconnection if they fail to meet the administrative conditions. Customers have the capability to perform various tasks such as installing new premises, viewing their bills, clearing outstanding balances, accessing billing records, and lodging complaints. On the other hand, the system administrator has complete control over the entire system's operation. They can view all customers and customer premises, connect and disconnect customers, access detailed billing information, and maintain clear financial records of the system's overall operation

### Summary

The transition to an optimized electricity payment and metering system is essential in addressing the limitations of the existing system. The proposed system offers advanced metering technologies, real-time data analytics, and consumer empowerment features that promise significant benefits for all stakeholders involved. The existing system faces constraints such as

manual meter reading, billing inaccuracies, and limited consumer engagement. These constraints not only lead to operational inefficiencies for utility providers but also hinder consumers' ability to monitor and manage their electricity consumption effectively. The proposed system, on the other hand, addresses these constraints comprehensively. It introduces advanced metering technologies that eliminate the need for manual reading, ensuring billing accuracy and reducing operational costs. Real-time data analytics empower consumers to monitor their electricity usage in real time, make informed decisions, and participate in demand response programs, leading to cost savings and environmental sustainability. Moreover, the system's focus on peak demand management helps reduce grid stress, lower greenhouse gas emissions, and enhance grid resilience. Billing disputes are minimized, and operational efficiency is improved, benefiting both utility providers and consumers. To ensure the successful implementation of the proposed system, recommendations include pilot programs, consumer education, regulatory alignment, data security measures, and ongoing monitoring. These measures aim to mitigate risks, enhance user experience, and maintain regulatory compliance. The optimized electricity payment and metering system represent a transformative shift in electricity management. By addressing the constraints of the existing system and focusing on accuracy, efficiency, sustainability, and consumer empowerment, it promises a more transparent, efficient, and consumer-centric future for electricity management. Careful planning, stakeholder engagement, and adherence to best practices are essential to realize its full potential.

### Contribution of the Author

The author has contributed to the discussion on optimized electricity payment and metering systems by providing a comprehensive analysis of the existing system, proposing key recommendations, and highlighting the potential benefits of the proposed system. Their insights and expertise have enriched the understanding of this critical topic.

## III. CONCLUSION

A novel approach to energy billing, utilizing smart meters, has been designed and put into practice. The development of a smart recharge protocol for settling outstanding bills and pre-recharging accounts has been successfully accomplished. Furthermore, the overall concept has been simulated. The proposed system's recharge concept and billing transparency have undergone

testing, with the results demonstrating excellent performance. It has been noted that a customer's energy consumption is directly linked to the energy recharge units they purchase, indicating that the suggested system is both dependable and efficient. If adopted by the Electricity Distribution Companies of Nigeria, this system can bring about improved accountability and increased customer patronage. Customers will be able to enjoy transparent billing and conveniently settle their bills or pre-recharge their accounts from the comfort of their homes, eliminating the need to visit distribution stations for activation.

#### IV. RECOMMENDATIONS

The implementation of the proposed optimized electricity payment and metering system requires careful planning, coordination, and strategic considerations. Before a full-scale rollout, utility providers should conduct pilot programs in select regions or communities. These pilot programs allow for testing and fine-tuning of the system, ensuring that it functions as intended and addressing any unforeseen challenges (Narayanaswamy et al., 2023). To maximize the benefits of the new system, utility providers should invest in consumer education and engagement initiatives. Consumers need to understand how to access and interpret real-time data, set energy-saving goals, and participate in demand response programs (Shen et al., 2022). Engaging consumers in the transition process is key to its success. Utility providers should work closely with regulatory bodies to ensure that the new system complies with all relevant regulations and standards. This includes data privacy, consumer protection, and pricing transparency (Wang et al., 2018). Regulatory alignment is essential for maintaining trust and regulatory approval. Given the sensitivity of electricity consumption data, robust data security measures should be in place. Encryption, access controls, and data anonymization should be implemented to protect consumer information from cyber threats (Hogan, 2019). The successful implementation of the optimized electricity payment and metering system requires careful planning, consumer engagement, regulatory compliance, and a commitment to data security. By following these recommendations, utility providers can maximize the benefits of the new system, enhance operational efficiency, and contribute to a more sustainable and consumer-centric electricity management ecosystem.

#### Suggestions for Future Studies

Future studies in the field of optimized electricity payment and metering systems should focus on:

- I. Long-term impacts: Assess the sustained effects of optimized systems on energy efficiency and sustainability.
- II. Consumer behavior: Explore how different consumer segments respond to real-time data and incentive programs.
- III. Technology advancements: Investigate emerging technologies for further system enhancements

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