

Contents

1	Introduction	1
1.1	Stochastic Programming Models	1
1.2	Approximations, Stability, and Decomposition	4
1.3	Contributions	7
2	Stability of Multistage Stochastic Programs	9
2.1	Problem Formulation	10
2.2	Continuity of the Recourse Function	13
2.3	Approximations	21
2.4	Calm Decisions	25
2.5	Stability	28
3	Recombining Trees for Multistage Stochastic Programs	33
3.1	Problem Formulation and Decomposition	35
3.1.1	Nested Benders Decomposition	37
3.1.2	Cut Sharing	38
3.1.3	Recombining Scenario Trees	39
3.2	An Enhanced Nested Benders Decomposition	40
3.2.1	Cutting Plane Approximations	41
3.2.2	Dynamic Recombining of Scenarios	45
3.2.3	Upper Bounds	51
3.2.4	Extended Solution Algorithm	53
3.3	Construction of Recombining Trees	55
3.3.1	A Tree Generation Algorithm	57
3.3.2	Consistency of the Tree Generation Algorithm	60
3.4	Case Study	77
3.4.1	A Power Scheduling Problem	77
3.4.2	Numerical Results	79
3.5	Out-of-Sample Evaluation	83
3.5.1	Problem Formulation	84
3.5.2	Towards Feasible Solutions	85

3.5.3	Numerical Examples	89
4	Scenario Reduction with Respect to Discrepancy Distances	97
4.1	Discrepancy Distances	98
4.2	On Stability of Two-Stage and Chance-Constrained Programs	100
4.3	Scenario Reduction	105
4.4	Bounds and Specific Solutions	106
4.4.1	Ordered Solution and Upper Bound	106
4.4.2	Lower Bound	110
4.5	The Inner Problem	113
4.5.1	Critical Index Sets	114
4.5.2	Reduced Critical Index Sets	115
4.5.3	Determining the Coefficients	116
4.5.4	Optimal Redistribution Algorithm	121
4.6	The Outer Problem	124
4.6.1	Revising Heuristics	124
4.6.2	A Glimpse on Low Discrepancy Sequences	127
4.6.3	A Branch and Bound Approach	127
4.7	Numerical Experience	131
4.8	Further Results	138
4.8.1	A Note on Extended Discrepancies	138
4.8.2	Mass Transportation and Clustering	140
4.8.3	An Estimation between Discrepancies	144
	Appendix	153
	Bibliography	159